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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
ROBERT BURNS
SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION OF
FAR WEST WATER & SEWER, INC., AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
WASTEWATER RATES AND CHARGES
BASED THEREON FOR UTILITY SERVICE

DOCKET NO. WS-03478A-12-0307

**NOTICE OF FILING REJOINER
TESTIMONY**

Far West Water and Sewer, Inc. ("Far West") hereby provides notice of filing the
attached Rejoinder Testimony of Ray L. Jones

Respectfully submitted on April 16, 2013, by:

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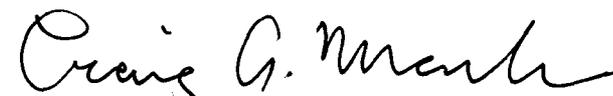
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APRIL 16, 2013**

**REJOINDER TESTIMONY
OF
RAY L. JONES
ON BEHALF OF
FAR WEST WATER & SEWER, INC.
March 8, 2013**

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1 **EXECUTIVE SUMMARY**
2

3 Mr. Ray Jones responds to the Surrebuttal Testimony of Staff (Becker, Cassidy and Liu), RUCO
4 (Fish, Duffett, Coley and Rigsby), Spartan Homes (Householder), Robert and Barbara Gilkey,
5 and Robert Rist.

6 Mr. Jones presents rejoinder testimony regarding expense adjustments proposed by RUCO that
7 the Company is willing to accept. Mr. Jones also summarizes the remaining differences in
8 positions of the parties.

9 Mr. Jones presents rebuttal testimony regarding cost of capital, agreeing to accept Staff's cost of
10 capital.

11 Mr. Jones addresses Staff's recommendations that the Company meet certain preconditions
12 before rates in this case are implemented, providing updates on the Company's recommended
13 alternatives.

14 Next Mr. Jones responds to the Direct Testimony filed by Mr. and Mrs. Gilkey, Mr. Rist and
15 Spartan Homes.

16 Lastly, Mr. Jones provides Far West's position on the appointment of an interim manager and
17 responds to the March 28, 2012 letter docketed by Commissioner Bitter Smith.

18 Far West rejoinder position requests a rate increase of \$3,485,582, or 156.23%, to allow it to
19 earn a 7.4% rate of return on its adjusted original cost rate base of \$20,556,719.

1 **I** **INTRODUCTION**

2 **Q.** **PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE**
3 **NUMBER.**

4 A. My name is Ray L. Jones. My business address is 25213 N. 49th Dr., Phoenix, Arizona
5 85083, and my business phone is (623) 341-4771.

6 **Q.** **ARE YOU THE SAME RAY L. JONES WHO PREVIOUSLY SUBMITTED**
7 **DIRECT AND REBUTTAL TESTIMONY IN THIS DOCKET?**

8 A. Yes.

9 **II** **PURPOSE OF TESTIMONY**

10 **Q.** **HAVE YOU REVIEWED THE SURREBUTTAL TESTIMONY FILED BY THE**
11 **INTERVENORS IN THIS CASE?**

12 A. Yes, I have reviewed the testimony of Staff (Becker, Cassidy and Liu), RUCO (Fish,
13 Duffett, Coley and Rigsby), Spartan Homes (Householder), Robert and Barbara Gilkey,
14 and Robert Rist.

15 **Q.** **WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY?**

16 A. I will respond to the direct testimony of the intervenors, including their positions
17 regarding rate base, operating income cost of capital and rate design. I will focus on the
18 significant remaining points of disagreement between Staff and the intervenors. My
19 silence on any particular issue raised by an intervener does not indicate agreement with
20 the intervenor. The Company stands by its positions presented in its Direct and Rebuttal
21 Testimonies unless modified by this Rejoinder Testimony. Additionally, I will sponsor
22 the Company's rejoinder revenue requirement and updated schedules provided with this
23 testimony as *Exhibit RLJ-RJ1*.

1 **III REJOINDER REVENUE REQUIREMENT**

2 **Q. WHAT IS FAR WEST'S REJOINDER REVENUE REQUIREMENT?**

3 A. Far West's rebuttal revenue requirement is shown on Schedule A-1 Rebuttal. Far West is
4 now requesting a revenue increase of \$3,485,582, an increase of 156.23% over adjusted
5 test year revenues of \$2,231,115. The reduction in revenue requirement, as compared to
6 the Company's rebuttal filing, is attributable to the Company adopting two expense
7 adjustments recommended by RUCO in its Surrebuttal Testimony.

8 **Q. WOULD YOU SUMMARIZE FAR WEST'S, STAFF'S AND RUCO'S REVENUE**
9 **REQUIREMENT POSITIONS?**

10 A. The proposed revenue requirements and associated rate increases are summarized as
11 follows:

	<u>Revenue Requirement</u>	<u>Revenue Increase</u>	<u>% Increase</u>
13 Far West Direct	\$6,094,028	\$3,866,046	173.52%
14 Staff Direct	\$5,579,404	\$3,351,423	150.42%
15 RUCO Direct	\$4,886,944	\$2,658,963	119.34%
16 Far West Rebuttal	\$5,742,317	\$3,514,335	157.74%
17 Staff Surrebuttal	\$5,521,168	\$3,293,186	147.81%
18 RUCO Surrebuttal	\$4,926,330	\$2,695,215	120.80%
19 Far West Rejoinder	\$5,716,697	\$3,485,582	156.23%

1 **IV RATE BASE**

2 **A OVERVIEW**

3 **Q. HAS THE COMPANY MADE ANY CHANGES TO ITS RATE BASE**
4 **ADJUSTMENTS IN THIS REJOINDER FILING?**

5 A. No, the Company's proposed rate base is unchanged from its rebuttal filing except for a
6 very minor reduction in cash working capital due to accepting a minor expense
7 adjustment proposed by RUCO. The Company's rejoinder rate base is \$20,556,719.

8 **Q. WHAT ARE THE REMAINING DIFFERENCES BETWEEN THE COMPANY**
9 **AND STAFF'S RATE BASE POSITION?**

10 A. There are four differences as follows:

- 11 • Zenon Treatment Equipment at Seasons – (Staff RBA No.1) – The Company
12 includes this treatment equipment in rate base while Staff recommends removing
13 it from rate base.
- 14 • AFUDC Disallowance – (Staff RBA No.3, Company RB-5) – The Company and
15 Staff disagree on the level of AFUDC disallowance that is appropriate because of
16 delays in construction of treatment facilities.
- 17 • Management Fee Disallowance – (Staff RBA No. 6, Company RB-8) – The
18 Company and Staff disagree on the amount of management fees paid to Mr.
19 Andrew Capestro that should be included in rate base.
- 20 • Working Capital – (Staff RBA No. 7, Company RB-9) – The Company and
21 Staff's propose different working capital amounts due to the impact of the other
22 disputed rate base items on the working capital computation.

1 **Q. WHAT ARE THE REMAINING DIFFERENCES BETWEEN THE COMPANY**
2 **AND RUCO'S RATE BASE POSITION?**

3 A. There are two differences as follows:

- 4 • Excess Treatment Capacity – (RUCO RBA Nos. 1(a) 1(b) 1(c)) – RUCO
5 proposes an across-the-board adjustment to the Company's depreciable
6 wastewater plant balances as an adjustment for unused treatment capacity.
7 However, the Company's proposed rate base includes an adjustment for not used
8 and useful plant at the Section 14 WWTP which the Company and Staff believe is
9 the only treatment plant where an adjustment related to capacity is warranted.
- 10 • Working Capital – (RUCO RBA No. 4, Company RB-9) – The Company and
11 RUCO's proposed working capital amounts are different because of the difference
12 in proposed rate base on the working capital computation.

13 **B RESPONSE TO STAFF**

14 **Q. DO YOU HAVE ANY RESPONSE TO STAFF'S SURREBUTTAL RATE BASE**
15 **TESTIMONY?**

16 A. With respect to the remaining disputed rate base issues, Staff held firm on its direct
17 position and did not specifically address the Company's rebuttal arguments. Likewise,
18 the Company stands by its rebuttal arguments and will not repeat them here. I will point
19 out that the testing and startup of the Zenon equipment remains on schedule and the
20 disputed Zenon equipment is expected to be fully tested and returned to service by April
21 20, 2013, well before rates go into effect in this case.

1 **C RESPONSE TO RUCO**

2 **Fish and Duffett Rebuttal Testimonies**

3 **Q. HAVE DR. FISH AND MR. DUFFETT CHANGED THEIR POSITION ON**
4 **EXCESS CAPACITY IN RESPONSE TO YOUR REBUTTAL TESTIMONY?**

5 A. No, they have not. They continue to defend the use of a system-wide capacity analysis
6 based on a treatment plant design capacity of 2,332,500 gallons per day that is
7 mismatched with the test year plant in service and is larger than the total planned capacity
8 of Far West's wastewater system. In addition, Dr. Fish continues to ignore the fact that
9 Company's adjusted test year depreciable plant in service balance has already been
10 reduced by the Company's Rate Base Adjustment RB-1.7 for Section 14 WWTP plant
11 that the Company has determined is not presently used and useful. Dr. Fish continues to
12 remove this plant a second time. In addition, Dr. Fish's continues to remove 30.1% of
13 the cost of all depreciable plant from plant in service, even if the plant is unrelated to
14 treatment capacity.

15 **Q. DO DR. FISH AND MR. DUFFETT PROVIDE ANY ADDITIONAL SUPPORT**
16 **FOR THEIR POSITION?**

17 A. They provide testimony blaming me for their use of the mismatched treatment capacity
18 and compare the engineering analysis of used and useful wastewater treatment capacity to
19 a junior high math problem.

20 **Q. WHAT IS YOUR RESPONSE?**

21 The testimony is absurd and demonstrates their lack of understanding of what constitutes
22 excess capacity. They link their use of a mismatched wastewater treatment capacity to a
23 schedule from Exhibit RLJ-DT2 of my Direct Testimony. That schedule is an excerpt
24 from the Company's 2011 Annual Report to the Commission listing the ultimate design

1 capacities of each of the Company's wastewater treatment plants in service at the end of
2 the test year. The total of these ultimate design capacities does equal the 2,332,500 gpd
3 used by Mr. Duffett. However, the ultimate design capacity reported in the Company's
4 Annual Report represents a snap shot of plant capacity information. It is not the actual
5 design capacity in service at the end of the test year and it is not the aggregate ultimate
6 planned design capacity of the Company's treatment plants. Any competent engineering
7 analysis would include reviewing and evaluating the data from the Company's Annual
8 Report and making adjustments as needed to make a valid engineering analysis based on
9 actual design capacity in service at the end of the test year and actual ultimate design
10 capacity after consideration of planned plant closures.

11 **Q. WAS THIS SCHEDULE THE ONLY INFORMATION AVAILABLE TO DR.**
12 **FISH AND MR. DUFFETT?**

13 **A.** No, of course not. First, my Direct Testimony discusses the Company's wastewater
14 system improvement plan, including the planned closure of two plants (Del Rey and
15 Royale) which Dr. Fish and Mr. Duffett should have excluded from their analysis. I also
16 provided workpapers to all parties that contain a detailed analysis of the cost to construct
17 the Section 14 WWTP and my proposed disallowance for plant that is not presently used
18 and useful at the Section 14 WWTP. This information should have also been
19 incorporated into the analysis. Lastly, various parties, including RUCO, issued data
20 requests regarding treatment capacity. Specifically, RUCO issued Data Request No. 2.5
21 inquiring about actual in service wastewater treatment capacity at all of the Far West
22 plants through the date of their data request. Mr. Duffett also failed to include this
23 information in his analysis.

1 **Q. IS EVALUATING WASTEWATER TREATMENT CAPACITY AS SIMPLE AS A**
2 **JUNIOR HIGH MATH PROBLEM?**

3 A. No, that is why an Arizona licensed professional engineer, familiar with Arizona practice,
4 should make their analysis. Mr. Liu for Staff and I are both licensed professional
5 engineers in Arizona with many years' experience in the wastewater treatment field.
6 Each of us independently evaluated Far West's treatment capacity, and each of us
7 concluded that there is no excess capacity in the test year¹.

8 Each of the wastewater treatment plants serves a separate and distinct service area. They
9 were built at different times and at different costs. Any meaningful analysis must
10 determine which specific plants may have excess capacity and what specific costs should
11 be excluded from rate base because of excess capacity.

12 **Q. DOES DR. FISH PROVIDE ADDITIONAL SUPPORT FOR HIS PLANT**
13 **DISALLOWANCES?**

14 A. Not in a meaningful way. He simply relies on Mr. Duffett's flawed analysis and makes
15 generalized statements criticizing my positions.

16 **Q. COULD YOU SUMMARIZE YOUR POSITION REGARDING DR. FISH AND**
17 **MR. DUFFETT'S SURREBUTTAL TESTIMONIES?**

18 A. Yes. My position is unchanged from my Rebuttal Testimony. Mr. Duffett commits three
19 huge errors:

¹ The Company and Staff are supporting the Company's proposed disallowance of certain plant at the Section 14 WWTP because it is not currently used and useful. That not used and useful plant is the cost of plant facilities installed as part of the Phase I expansion of the Section 14 WWTP that are necessary to provide planned, but not yet fully constructed or permitted, Phase II capacity. In my Rebuttal Testimony, I incorrectly referred to this as excess capacity. It is more precise to refer to this as not used and useful plant associated with future planned capacity rather than excess capacity.

- 1 1. Mr. Duffett continues to use a system-wide analysis to reach his conclusions. A
2 valid analysis of wastewater treatment plant capacity should be done on a plant-
3 by-plant basis. Mr. Duffett's failure to evaluate each specific plant is a major
4 flaw in his analysis which renders it largely meaningless.
- 5 2. Mr. Duffett continues to mismatch wastewater treatment plant ultimate design
6 capacity with test year plant in service. The mismatch is significant in magnitude,
7 causing Mr. Duffett's analysis to be significantly in error.
- 8 3. Mr. Duffett does not follow the Commission's preferred approach for determining
9 used and useful capacity, so he understated the percentage of plant that is used
10 and useful.

11 Each of these errors in Mr. Duffett's analysis is a significant flaws and each flaw,
12 standing alone, is sufficient to undermine Mr. Duffett's conclusions regarding the used
13 and usefulness of Far West's wastewater treatment plants. The cumulative flaws are fatal
14 to Mr. Duffett's conclusions. His testimony therefore should be given no weight.

15 Dr. Fish builds his testimony on Mr. Duffett's fatally flawed foundation and compounds
16 the flaws by ignoring the Company's rate base adjustment and applying his proposed
17 adjustment for excess treatment capacity to all wastewater plant accounts, even though
18 those plant accounts that have nothing to do with treatment plant capacity. Dr. Fish's
19 testimony should also be disregarded.

1 **Coley Rebuttal Testimony**

2 **Q. DOES MR. COLEY CONTINUE TO RECOMMEND RATE BASE**
3 **ADJUSTMENTS BASED ON THE TESTIMONY OF MR. FISH AND MR.**
4 **DUFFETT?**

5 **A. Yes. Mr. Coley recommends the same 30.1% across the board reductions in Plant in**
6 **Service, Accumulated Depreciation and net CIAC.**

7 **Q. HAS YOUR RECOMMENDATION REGARDING THESE PROPOSED**
8 **ADJUSTMENTS CHANGED?**

9 **A. No, they should all be rejected. Mr. Coley merely adopts the flawed recommendations**
10 **of Dr. Fish and Mr. Duffett.**

11 **Q. IS THERE ANY PART OF MR. COLEY'S TESTIMONY YOU WOULD LIKE**
12 **TO SPECIFICALLY ADDRESS?**

13 **A. Yes, there appears to be some confusion regarding the Company's Rate Base Adjustment**
14 **RB-1.7 and how it relates to RUCO's proposed disallowance. I have testified that**
15 **RUCOs approach effectively twice removes the plant addressed in the Company's Rate**
16 **Base Adjustment RB-1.7. Mr. Cooley states that he disagrees with this position, but his**
17 **testimony provides verification that it is essentially true. This leads me to believe that I**
18 **have not explained my position adequately.**

19 **Mr. Coley's testimony and Surrebuttal Schedule TJC-4(a) clearly indicate that RUCO**
20 **applies their 30.1 percent proposed adjustment to the Company's proposed plant balance**
21 **after the Company's \$2,165,201 adjustment for not used and useful plant has already**
22 **been removed. My point is that if RUCO's across the board approach were to be used, it**
23 **would have to be applied to the unadjusted plant balance, without first removing the**
24 **Company's \$2,165,201 adjustment. The following table shows these two scenarios.**

		<u>RUCO as Proposed</u>	<u>RUCO Corrected</u>	<u>Difference</u>
Section 14 Plant In Service		\$ 12,583,565	\$ 12,583,565	\$ -
Company Adjustment RB-1.7		(2,165,201)	-	2,165,201
Adjusted Plant		10,418,364	12,583,565	2,165,201
RUCO Adjustment 1(a)	-30.1%	(3,135,928)	(3,787,653)	(651,725)
Used and Useful Plant		\$ 7,282,436	\$ 8,795,912	\$ 1,513,475

1 As indicated, the adjustment proposed by RUCO causes the used and useful plant to be
2 \$1,513,475 less than it would be if RUCO used the correct plant balance to calculate its
3 adjustment. The resulting additional \$1,513,475 in plant disallowance is what I have
4 referred to as removing the plant disallowed by the Company a second time.

5 **V INCOME STATEMENT**

6 **Q. HAS THE COMPANY MADE ANY ADDITIONAL ADJUSTMENTS TO**
7 **OPERATING INCOME IN THIS REJOINDER TESTIMONY?**

8 A. The Company has updated adjustment IS-5 and added adjustment IS-9 to address issues
9 raised in RUCO's Surrebuttal filing. The changes are summarized as follows:

- 10 • IS-5 – Salaries and Wages – Officers and Directors. This adjustment was updated
11 to accept RUCO's Operating Income Adjustment No.4 including the removal
12 \$4,609 in payroll tax expense for operating expenses which was not previously
13 included in the Company's adjustment.
- 14 • IS-9 – Imputed Revenue. This adjustment accepts RUCO Operating Income
15 Adjustment No. 8 adding revenue for 48 unbilled RV lots in the amount of
16 \$3,133.

17 In addition, the Company updated adjustment IS-15 to reflect a change to the Company's
18 proposed cost of capital, and the company updated IS-16 and IS-17 to reflect the impact
19 of the other income statement adjustments on property taxes and income taxes.

1 **Income Statement Adjustment IS-5 - Salaries and Wages – Officers and Directors**

2 **Q. WHAT IS THE UPDATE TO THE COMPANY’S INCOME STATEMENT**
3 **ADJUSTMENT IS-5?**

4 A. This adjustment originally accepted Staff Operating Income Adjustment #1 by removing
5 \$60,247 of executive salary from test year expenses. In its rebuttal, RUCO agreed to the
6 Staff adjustment but increased the adjustment by \$4,609 to remove payroll taxes
7 associated with the underlying payroll adjustment. As a compromise, the Company
8 accepted the original Staff adjustment because it is the larger of two adjustments
9 proposed by Staff and RUCO. Although the Company feels that RUCO’s addition of
10 \$4,609 to the adjustment is unnecessary and contrary to the nature of the compromise
11 proposed by the Company, the Company will nonetheless accept RUCO’s proposal in
12 order to eliminate an immaterial difference in the parties’ positions. The Company’s
13 updated Income Statement Adjustment IS-5 is shown on Schedule C-2 – Rejoinder.

14 **Income Statement Adjustment IS-9 – Imputed Revenue**

15 **Q. PLEASE EXPLAIN THE COMPANY’S RATE BASE ADJUSTMENT IS-9.**

16 A. In the processing of this case, the Company discovered that one commercial business, the
17 Schechert Family Aquatics & Fitness Center, located in the Manufactured Housing
18 Subdivision (MHS-20) zoning district has characteristics sufficiently similar to an RV
19 Park that charging the RV Park rate was appropriate, even though it is not a traditional
20 RV Park. The Company has begun billing the facility for 48 RV spaces in addition to the
21 regular commercial sewer rate. This adjustment imputes \$3,133 in revenue for the test
22 year to account for the revenue that would have been generated if the 48 RV spaces had
23 been billed during the test year. The Company’s proposed Income Statement Adjustment
24 IS-9 is shown on Schedule C-2 – Rejoinder.

1 **Income Statement Adjustment IS-14 – Interest Expense**

2 **Q. DID YOU UPDATE COMPANY ADJUSTMENT IS-14?**

3 A. Yes. The adjustment has been updated to synchronize interest expense considering the
4 Company's change to its proposed cost of capital. This adjustment is necessary to
5 calculate properly the federal and state income taxes (Income Statement Adjustment IS-
6 17) to be included in rates. Income statement adjustment IS-14 results in synchronized
7 interest expense of \$1,089,506.

8 **Income Statement Adjustment IS-16 – Property Tax**

9 **Q. HAS COMPANY ADJUSTMENT IS-16 BEEN UPDATED?**

10 A. Yes. The Company updated the adjustment to reflect the impact of the other income
11 statement adjustment on property taxes.

12 **Income Statement Adjustment IS-17 – Income Tax**

13 **Q. HAS COMPANY ADJUSTMENT IS-17 BEEN UPDATED?**

14 A. Yes. The Company updated the adjustment to reflect the impact of the other income
15 statement adjustment on income taxes.

16 **Q. ARE THE PARTIES NOW IN AGREEMENT ON INCOME STATEMENT
17 ISSUES?**

18 A. For the most part yes. Staff did not adopt RUCO Operating Income Statement
19 adjustments removing \$4,609 in payroll tax expense and adding \$3,133 in imputed
20 revenue due to the immateriality of these adjustments. The remaining income statement
21 differences are with interest, depreciation, property tax and income tax expenses and are
22 due to the parties differing rate base and cost of capital positions. The parties agree on
23 the methodology to calculate these expenses.

1 **VI COST OF CAPITAL**

2 **Q. WHAT UPDATES IS THE COMPANY MAKING TO ITS COST OF CAPITAL**
3 **POSITION AFTER REVIEWING STAFF AND RUCO'S**
4 **RECOMMENDATIONS?**

5 A. Since Staff has addressed most of the capital structure concerns raised in my Rebuttal
6 Testimony, Far West will adopt Staff's recommended cost of capital. These changes
7 have been incorporated into Schedule D-1 – Rejoinder and Schedule D-2 Rejoinder.

8 **Q. WHAT IS FAR WEST'S WEIGHTED AVERAGE COST OF CAPITAL?**

9 A. Based upon a capital structure consisting of 74.23 percent long-term debt, 4.95 percent
10 short-term debt and 20.82 percent equity, a long-term debt cost of 6.66 percent, a short-
11 term debt cost of 7.51%, and a cost of equity of 10.0 percent, the weighted cost of capital
12 is 7.4 percent as shown on Schedule D-1.

13 **VII RATE DESIGN**

14 **Q. HAVE YOU UPDATED YOUR RATE DESIGN SINCE FILING YOUR**
15 **REBUTTAL TESTIMONY?**

16 I am proposing the same rate design as proposed in my Rebuttal Testimony. I have
17 updated the actual rates to reflect the Company's rejoinder revenue requirement. I also
18 corrected the RV billing determinates to reflect 60 RV base charges².

19 **Q. HAVE YOU PROVIDED UPDATED SCHEDULES SHOWING YOUR**
20 **REJOINDER RATE DESIGN AND THE IMPACT ON VARIOUS CUSTOMER**
21 **CLASSES?**

22 A. Yes. A full set of updated H-Schedules is included in *Exhibit RLJ-RJ1*.

² In my Rebuttal Testimony, I inadvertently used 5 bills, instead of $5 \times 12 = 60$.

1 **Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPANY'S REJOINER RATE**
2 **DESIGN.**

3 A. The Company continues to propose flat rate monthly charges for the residential and
4 Recreational Vehicle ("RV") Park classes. The proposed residential rate is \$57.44
5 monthly. The RV Park rate includes a monthly charge of \$86.16 with an additional
6 charge per RV space set at 33.33 percent of the residential rate or \$19.14 monthly.
7 Commercial customers' sewer charges are based on the customer's water meter size with
8 charges as follows:

9	5/8" x 3/4" Meters	\$86.16
10	3/4" Meters	\$86.16
11	1" Meters	\$143.60
12	1 1/2" Meters	\$215.40
13	2" Meters	\$344.64
14	3" Meters	\$919.04
15	4" Meters	\$1,436.00
16	6" Meters	\$2,872.00

17 The Company continues to propose a market based effluent rate with a price range of
18 \$0.20 to \$1.00.

19 **Q. ARE ALL PARTIES NOW PROPOSING THE SAME BASIC RATE**
20 **STRUCTURE?**

21 A. Yes, they are. All parties are proposing a flat rate for residential customers. All parties
22 are proposing a flat rate by meter size for commercial customers. All parties have
23 adopted the Company's proposed RV park rate structure which consists of a flat rate base
24 charge to provide for common facilities (clubhouses, laundries, etc.) plus a flat rate for
25 each RV space within the park. All parties are recommending that effluent be billed on a
26 commodity charge basis.

1 **Q. ARE THERE ANY REMAINING DIFFERENCES IN THE PARTIES RATE**
2 **DESIGNS FOR THE RESIDENTIAL, COMMERCIAL AND RV PARK**
3 **CLASSES?**

4 A. With respect to the residential, commercial and RV park classes the difference is in the
5 multiplier used to establish each rate. All of the parties base their rates on the residential
6 rate with multipliers being used to establish commercial and RV rates. The following
7 table summarizes the rate multipliers used by each party.

Rate	Multiplier Used			Percent Increase		
	RUCO	Staff	Company	RUCO	Staff	Company
Residential	1.00	1.00	1.00	125.0%	152.6%	164.1%
Commercial - 5/8"	1.33	1.00	1.50	49.5%	26.3%	98.1%
Commercial - 3/4"	1.66	1.56	1.50	86.9%	97.2%	98.1%
Commercial - 1"	3.32	2.61	2.50	273.9%	229.6%	230.1%
Commercial - 1 1/2"	4.99	5.16	3.75	460.8%	551.7%	395.2%
Commercial - 2"	7.98	8.24	6.00	797.2%	940.6%	692.3%
Commercial - 3"	21.27	16.00	16.00	2292.6%	1920.3%	2012.7%
Commercial - 4"	33.24	25.00	25.00	3638.5%	3056.7%	3201.1%
Commercial - 6"	66.47	50.00	50.00	7377.0%	6213.4%	6502.3%
RV Park - Common Area	2.50	1.56	1.50	181.2%	97.2%	98.1%
RV Park - Per Space	0.33	0.33	0.33	199.8%	236.6%	251.8%
Shading indicates no current customers with meter size						

8 The text of RUCO's testimony leads me to believe that the multipliers for the
9 Commercial 5/8", 3/4" and 1" meters are 1.00, 1.25 and 2.5, respectively. However, the
10 above multipliers are the multipliers calculated from the provided rate design schedules.
11 I am not certain which multipliers represent RUCO's correct position.

1 The difference between Staff and the Company's rate design are unchanged from my
2 Rebuttal Testimony. As more fully discussed in my Rebuttal Testimony, after
3 considering the percentage increases for specific meter sizes, the Company recommends
4 adjusting standard multipliers for the 5/8" x 3/4", 1 1/2" and 2" meters. This is the only
5 material difference between the Staff and Company rate designs.

6 **Q. WHAT ABOUT THE EFFLUENT RATE?**

7 A. The parties have not altered their original positions and neither Staff nor RUCO has
8 responded to the Company's position. The Company continues to advocate for a market
9 rate and does not support the rate proposals of either Staff or RUCO. As fully discussed
10 in my Rebuttal Testimony, if a market rate for effluent is not adopted, the Company's
11 cost of disposing of effluent will increase and those increased costs must be borne by
12 customers. Simply put, the long-term cost to the Company of maintaining or raising the
13 effluent price is greater than the short-term benefit revenue recovery to effluent
14 customers. In addition, the current effluent rate has caused affiliates to incur payables to
15 Far West for effluent they do not want and that is in excess of their ability to pay for.

16 **Q. IS THERE ANYTHING YOU WOULD LIKE TO ADD REGARDING THE RV**
17 **PARK RATE?**

18 A. Yes. As noted in my Rebuttal Testimony it is important that the RV Park tariff contain
19 sufficient detail regarding the applicability and eligibility for the rate to avoid
20 misunderstanding as to which customers are eligible for the rate. To this end, I have
21 developed the following language to clarify which customers are eligible for the RV Park
22 rate, which customers are not eligible for the RV Park rate and how the RV Rate is
23 applied. This language or substantially similar language would be incorporated into the
24 Company's tariffs as appropriate.

1 The RV Rate shall apply only to a parcel of land under single ownership on which
2 three (3) or more Recreational Vehicles are occupied as temporary residences,
3 regardless of whether or not a charge is collected for such accommodations (RV
4 Park).

5 A Recreational Vehicle is a vehicle that is built on a single chassis, four hundred
6 (400) square feet or less in size, designed to be self-propelled (motor home) or
7 permanently towed (trailer, fifth wheel, or camper), and designed primarily for
8 use as temporary living quarters for recreational, camping, travel, or seasonal use
9 and not for use as a permanent dwelling. A Recreational Vehicle includes park
10 model trailers, provided that they have not been altered to increase living space
11 beyond 400 square feet. Recreational Vehicles do not include Manufactured
12 Homes (a/k/a Mobile Homes).

13 Each RV Park shall be assessed a single base charge for the sewer usage at
14 clubhouses, laundries and other common areas. In addition, a fee shall be paid for
15 each RV Park space whether occupied or not.

16 Combined facilities that include both an RV Park and Manufactured Home Park
17 shall pay the RV Park rate for the RV Park portion of the facility with the
18 residential tariff applying to the Manufactured Home spaces within the facility.

19 **VIII RATE IMPLEMENTATION CONDITIONS**

20 **Q. WHAT CAN THE COMPANY REPORT REGARDING ITS EFFORTS TO**
21 **ADDRESS UNPAID PROPERTY TAXES?**

22 **A.** The Company has met with the Yuma County Treasurer, Angela Pancrazi Moreno and
23 the Chief Deputy County Attorney, William Kerekes, regarding unpaid property taxes.

1 The Company and Yuma County have reached an agreement in principal summarized as
2 follows:

- 3 • Far West will pay current taxes coming due for 2013 and all subsequent year's
4 taxes in two installments as normally due on November 1st of the tax year and
5 May 1st of the following year.

- 6 • Far West shall create a special account and deposit five percent (5%) of the rate
7 increase granted by the Commission into the special account in 12 equal monthly
8 installments, commencing 30 days after new rates take effect. The deposits will
9 continue until all delinquent taxes have been paid.

- 10 • Payment of delinquent taxes will commence twelve months after a decision in
11 this case is issued authorizing Far West to implement new rates with payment of
12 the 2008 property taxes including penalties and interest.

- 13 • Far West will continue to pay the delinquent taxes, one year at a time, on the
14 anniversary of the rate increase granted by the Commission (every 12 months),
15 for four more years until delinquent taxes for year 2009, 2010, 2011 and 2012
16 have been fully paid.

- 17 • Payments are not contingent upon the deposits into the special account. Far West
18 will pay the full amount due each year regardless of the balance available in the
19 special account.

20 On April 16, 2013 the Company tendered the letter attached as *Exhibit RLJ-RJ2* to the
21 City of Yuma setting forth the Company's understanding of the proposed agreement on
22 delinquent taxes.

1 The Company recommends that implementation of new rates be based on this agreement
2 for paying past due taxes rather than the precondition recommend by Staff.

3 **Q. WHAT PROGRESS CAN THE COMPANY REPORT REGARDING UNPAID**
4 **AMOUNTS DUE UNDER MXAS?**

5 Far West has contacted Harry Elliott regarding amounts due to the Development Group
6 in the amount of approximately \$84,000. He has advised that he will consider payment
7 of \$5,000 a month, commencing 30 days after the rate increase goes into effect. Jacobson
8 is owed about \$85,000 for various projects. He has indicated that he will agree to
9 payments. New Sun is owed \$20,000, but, to date, Far West has been unable to locate a
10 contact for New Sun, but is checking to see if they have a Phoenix office. The other
11 outstanding amounts are to smaller developers in small amounts.

12 Based on these commitments, Far West recommends that implementation of new rates be
13 based on Far West agreeing to make monthly payments to developers for unpaid amounts
14 due under MXAs with the condition that all amounts due be fully paid not later than
15 December 31, 2014.

16 **Q. WHAT ABOUT THE AMOUNTS DUE SPARTAN HOMES?**

17 A. Far West continues to seek mechanisms that would allow Mr. Housholder to be paid.
18 However, absent other options becoming available, the Company recommends that the
19 implementation of new rates be based on paying Mr. Housholder in full within 60 days of
20 new rates taking effect.

1 **IX RESPONSE TO GILKEY-RIST SURREBUTTAL TESTIMONY**

2 **Q. DID THE COMPANY CLAIM THERE HAVE BEEN NO FAILURES OF THE**
3 **PALM SHADOWS PUMP STATION OR FORCE MAIN IN ITS RESPONSE TO**
4 **GILKEY-RIST DR 7.6 OR OTHERWISE?**

5 A. The Company did not make that claim. Gilkey-Rist DR 7.6 asked only about the Palm
6 Shadows Force Main. The Company responded that “there had been no failures of the
7 force main.” The question did not ask about, and the Company did not address, any
8 failures of the Palm Shadows Pump Station. In an effort to be fully forthcoming, the
9 Company did, however, refer the questioners to its answer to Gilkey DR 3.4 “for
10 information on failures, other than the force main.” When asked specifically about
11 failures of the Palm Shadows Lift Station in RUCO DR 6.2, the Company responded as
12 follows:

13 Although outside of the test year and not responsive to this Data Request, the
14 Company acknowledges that the Palm Shadows Lift Station pump header failed
15 in 2012. See the Company’s response to Gilkey Data Request 3.4 for information
16 on failure of the pump header at the Palm Shadows Lift Station which occurred in
17 May and June of 2012.

18 As noted in the Gilkey-Rist Surrebuttal, there were failures at the Palm Shadows Lift
19 Station which have been fully disclosed by the Company in its response to Gilkey DR
20 3.4, RUCO DR 6.2 and otherwise. The Gilkey-Rist assertion that the Company’s
21 response to their DR 7.6 was anything other than accurate and fully forthcoming is
22 simply wrong.

23 **Q. IS YUMA VENTURES AN RV PARK THAT, IF WITHIN THE COMPANY’S**
24 **CC&N, SHOULD RECEIVE SEWER SERVICE AT THE RV RATE?**

25 A. No. Yuma Ventures is a conventional subdivision within the Recreational Vehicle
26 Subdivision (RVS) zoning district. RVS is the zoning district overlying most of the

1 Company's service area and the zoning that most of its residential customers are within.
2 The lots/homes within Yuma Venture are individually owned and are not rented. Yuma
3 Ventures is outside the Company's CC&N, it is not an RV Park, and the homeowners
4 should not be eligible for service under the RV Rate if the subdivision were added to the
5 CC&N.

6 The Gilkey' seem to base their assertions regarding Yuma Ventures on the fact that the
7 housing units within Yuma Ventures appear to have park model trailers as the core of the
8 structure. While this is true, many of the park model trailers have been expanded beyond
9 the 400 square feet limit for a Recreational Vehicle. These permanent expansions have
10 been allowed precisely because the units are installed on privately owned lots within the
11 RVS zoning district.

12 **Q. ARE YOU SPECULATING WHEN YOU TESTIFIED THAT FAR WEST MET**
13 **WITH THE CITY OF YUMA REGARDING TREATMENT SERVICES?**

14 A. No I am not. Andy Capestro, Paula Capestro and Sandy Braden, along with their
15 attorney Wayne Benesch, met with City of Yuma personnel on April 5, 2006. I have
16 attached the legal bill (*Exhibit RLJ-RJ3*) from Mr. Benesch evidencing the meeting and
17 other contact with the City of Yuma.

18 **X RESPONSE TO HOUSEHOLDER SURREBUTTAL TESTIMONY**

19 **Q. MR. HOUSEHOLDER CLAIMS HIS EFFORTS TO NEGOTIATE A**
20 **MUTUALLY ACCEPTABLE PAYMENT PLAN WERE ALMOST**
21 **COMPLETELY IGNORED. DO YOU AGREE?**

22 A. Not at all. The Company has attempted, in good faith, to negotiate a mutually acceptable
23 payment plan, but has been unable to reach agreement with Mr. Householder. As

1 documented in the Company's March 30, 2012 Request to Extend Payment Deadline³, in
2 response to an inquiry from Spartan Homes, Far West's shareholders identified three of
3 their own residential lots then on sale for \$55,000 each that could be used to satisfy the
4 Spartan Homes obligation. Far West also offered the alternative of paying Spartan
5 Homes \$15,418 with a 5-year note for the balance, at 10.0% annual interest. Spartan
6 Homes did not accept either of these propositions.

7 I personally reiterated Far West's desire to enter into a mutually acceptable payment
8 arrangement with Mr. Householder to his attorney, Mr. Jeff Crockett, on June 8th, 2012.
9 After hearing nothing from Mr. Crockett, I followed up with Mr. Crockett, leaving a
10 voice message on June 15, 2012.

11 On June 18th, Mr. Dean Miller contacted Mr. Crockett to again discuss a payment plan
12 with Mr. Householder. On June 25, 2012 Mr. Miller again contacted Mr. Crockett to
13 discuss Far West's proposed payment plan to Mr. Householder consisting of an initial
14 payment of \$47,682 with the remainder being paid at a later date. Mr. Miller again
15 followed up with Mr. Crockett on July 2, 2012 with a written proposal to make a cash
16 payment on July 31, 2012 of \$47,682 with the remaining balance to be paid once the
17 Commission approved the Fortuna Commons CC&N Extension.⁴ On July 5th, 2012, Mr.
18 Crockett advised Mr. Miller that he had explained the Far West Payment proposal to Mr.
19 Householder.

20 On July 9, 2012, Mr. Crockett advised that he would be communicating a counteroffer
21 from Mr. Householder. On July 16, 2012 Mr. Miller received a written counteroffer from
22 Mr. Crockett. On July 17, 2012, Mr. Miller advised Mr. Crockett that he had received the

³ See Docket No. WS-03478A-08-0256.

⁴ See Docket No. WS-03478A-10-0523.

1 counteroffer and forwarded it to Far West for consideration. On July 25, 2012, in
2 response to an inquiry from Mr. Crockett, I advised that Far West was considering the
3 counteroffer. On July 26, 2012, Mr. Miller advised Mr. Crockett that Far West had
4 considered the counteroffer and provided Mr. Crockett a proposed term sheet
5 incorporating some of the provisions of the counteroffer. On July 30, 2012, Mr. Capestro
6 issued a letter to Mr. Crockett with a check in the amount of \$47,682.00 as first payment
7 to Mr. Householder under the terms of the previously provided term sheet. On July 31,
8 2012, Mr. Crockett advised Mr. Miller that he had spoken to Mr. Householder and was
9 ready to discuss the term sheet. Mr. Miller and Mr. Crockett subsequently discussed the
10 term sheet. On August 3, 2012, Mr. Miller transmitted an updated term sheet to Mr.
11 Crockett addressing Mr. Crockett's comments. On August 20, 2012, Mr. Crockett
12 transmitted a revised term sheet to Mr. Miller. Mr. Miller considered the revised term
13 sheet prepared by Mr. Crockett substantially inconsistent with previous discussions and
14 considered the response a rejection of the Company's proposal. This communication
15 ended negotiations between the parties.

16 Ultimately, Mr. Householder never cashed the check provided by Far West and the
17 parties did not agree to a payment plan. However, the failure is not due to Far West
18 ignoring Mr. Householder.

19 **Q. HAS THE COMPANY PROVIDED DOCUMENTATION SUPPORTING AND**
20 **EXPLAINING PAYMENTS TO AND OTHER TRANSACTIONS WITH**
21 **AFFILIATES?**

22 A. Staff and RUCO have conducted an extensive investigation of costs and expenses
23 included in the Company's rate base or test year expenses. In fact, I would say that it is
24 the most extensive investigation I have been involved in during my many years of

1 processing rate cases. During the course of this case, the Company has responded to the
2 numerous data requests from Staff and RUCO specifically investigating affiliate
3 transactions. The Company has provided an extraordinary amount of documentation
4 supporting the transactions investigated by Staff and RUCO. A summary of the data
5 request responses addressing affiliate transactions is as follows.

6 The Company identified all affiliates and provided a narrative description of the
7 relationships between the affiliates and the Company (Staff GB 2-1). The Company
8 provided schedules showing cash receipts and disbursements between Far West and its
9 related parties (Staff GB 2-1). The Company provided schedules regarding unpaid
10 liabilities and unpaid receivables between Far West and its affiliates (Staff GB 2-1). The
11 Company identified all resources shared between Far West and a related party (Staff GB
12 2-1).

13 The Company provided schedules showing amounts charged to or credited from affiliated
14 companies and the basis for those charges (Staff JA 3.5). The Company explained recent
15 changes in practices including discontinuing purchasing construction services from H&S
16 Developers in January 2010 (Staff JA 3.5). The Company disclosed and explained all
17 assets owned by Far West and utilized by affiliates (Staff JA 3.8). The Company
18 disclosed and explained all assets owned by affiliates and utilized by Far West (Staff JA
19 3.9). The Company fully disclosed any personnel shared between Far West and affiliates
20 and how the time is calculated (Staff JA 3.10, Staff JA 3.11 and Staff GB 2-1).

21 The Company identified shared office space and how costs are allocated (Staff JA 3.10).
22 The Company provided accounts payable and accounts receivable aging for payables and
23 receivables owed or due from affiliates (Staff JA 3.12 and Staff JA 3.13). The Company
24 verified that none of its benefit programs cover affiliates (Staff JA 3.18). The Company

1 identified affiliate transactions satisfied by accounting entry offset (Staff JA 3.27). The
2 Company disclosed all repairs and maintenance and contractual services expenses paid to
3 affiliates and provided the supporting invoices (Staff JA 3.37 and RUCO 6.6).

4 The Company verified that there are no unrecorded affiliate payables or receivables (Staff
5 JA 3.40 and Staff JA 3.41). The Company provided a schedule and supporting valuations
6 for all assets received from or transferred to related parties (Staff GWB 4.2). The
7 Company fully explained the nature of the \$3,600 paid to Mr. Capestro for fuel
8 reimbursement (RUCO 5.6). The Company identified the nature of test year payments to
9 Mr. Capestro (RUCO 6.7). The Company provided State Bar approvals permitting Mr.
10 Capestro to appear pro hac vice in Arizona and explained certain legal services provided
11 by Mr. Capestro do not require admission pro hac vice and are appropriately provided to
12 the Company (RUCO 6.8).

13 The Company provided schedules showing payments made to related parties and charged
14 to capital projects (Staff GWB 5.2 and GWB 7.3). The Company supported payments to
15 Mr. Capestro charged to capital (Staff GWB 7.1). The Company provided a schedule of
16 fees paid by developers to H&S Developers and the ratemaking implications of those
17 payments (Staff GWB 11.1). The Company provided a schedule of amounts paid to H&S
18 Developers for the WWTP projects and explained the competitively bidding procedures
19 applicable to H&S Developers and why the costs were fair and reasonable (Staff GWB
20 11.2). The Company provided a schedule of expenses owed or paid to H&S Developers
21 during the test year and explained why the costs were reasonable and fair (Staff GWB
22 11.2). The Company provided copies of contracts with H&S Developers for construction
23 on the WWTP projects (Staff GWB 11.2).

1 **Q. GIVEN THE EXTENSIVE INVESTIGATION CONDUCTED BY STAFF AND**
2 **RUCO, HOW DO YOU RESPOND TO MR. HOUSEHOLDERS GENERALIZED**
3 **COMMENTS AND CONCERNS REGARDING FAR WEST'S FINANCES AND**
4 **AFFILIATE TRANSACTIONS?**

5 A. I can only say that Mr. Householder's concerns are misplaced and refer him to the
6 Company's data request responses noted previously and provided to Mr. Householder
7 during the course of discovery in this case. I also note that after fully considering the
8 evidence provided by the Company, Staff concluded that the ratepayers have not been
9 harmed by the Company's affiliate transactions.

10 **Q. HAS THE COMPANY ADDRESSED FEES PAID BY DEVELOPERS TO H&S**
11 **CONSTRUCTION?**

12 A. The Company's data request response to Staff GB 11.1 addresses this issue. As noted in
13 the response, H&S Developers contributed wastewater treatment plant facilities to Far
14 West and was reimbursed by other developers for the costs contributed to Far West. As
15 noted in the response, this is a normal and routine transaction between developers that is
16 not unusual in the industry. The transactions have no rate making implications because
17 Far West has no investment in the underlying wastewater treatment facilities.

18 **XI FAR WEST'S POSITION ON APPOINTMENT OF INTERIM MANAGER**

19 **Q. DOES THE COMPANY HAVE A RESPONSE TO THE MARCH 28, 2013**
20 **LETTER DOCKETED BY COMMISSIONER BITTER SMITH?**

21 A. The Company believes that facts and information presented in this case do not support
22 the appointment of an interim manager for Far West. The Company has made
23 remarkable progress since its request for interim rates was rejected by the Commission.
24 As of the end of the 2011 test year, Far West has completed Phase I of the Section 14

1 Plant expansion, completed the Phase I Del Oro Plant expansion and closed the Palm
2 Shadows wastewater treatment plant, diverting those flows to the Section 14 Plant. The
3 Phase II Del Oro expansion is underway and the Seasons facility expansion is in the final
4 phase of testing and startup.

5 The Company has submitted and supported a credible request for increase in rates based
6 on actual investment in plant and equipment that is used and useful in the provision of
7 wastewater service to its customers. Based on the Company's application and support,
8 both Commission Staff and RUCO are recommending increases to wastewater rates. The
9 biggest challenge facing the Company at this time is regulatory lag. The Company's
10 investments, which have been in service for approximately 18 months, are large and not
11 included in the Company's current rates. Appointment of an interim manager will not
12 mitigate the financial challenges faced by the Company related to this plant investment
13 and will not alter the amount of increase the Company needs in its wastewater rates.

14 As noted by Staff, appointment of an interim manager is extraordinary measure that is
15 only appropriate when there is a clear and present danger to public health and safety and
16 when no other options exist. That is not the case with Far West and the appointment of
17 an interim manager is not appropriate or necessary at this time.

18
19 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

20 **A. Yes.**

Far West Water & Sewer Company, Inc.

Ray Jones Rejoinder Testimony

Exhibit RLJ-RJ1

<u>Schedule No.</u>	<u>Title</u>
Schedule A-1	Computation of Increase in Gross Revenue Requirement
Schedule A-2	Summary of Results of Operations
Schedule A-3	Summary of Capital Structure
Schedule A-4	Construction Expenditures and Gross Utility Plant in Service
Schedule A-5	Summary Changes in Financial Position
Schedule B-1	Summary of Original Cost Rate Base Elements
Schedule B-2	Original Cost Rate Base Pro forma Adjustments
Schedule B-2.1	Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
Schedule B-5	Computation of Working Capital
Schedule C-1	Adjusted Test Year Income Statement
Schedule C-2	Income Statement Pro forma Adjustments
Schedule C-3	Computation of Gross Revenue Conversion Factor
Schedule D-1	Summary of Cost of Capital
Schedule D-2	Cost of Long-Term and Short-Term Debt
Schedule D-3	Cost of Preferred Stock
Schedule D-4	Cost of Common Equity
Schedule E-1	Comparative Balance Sheet
Schedule E-2	Comparative Income Statements
Schedule E-3	Comparative Statement of Changes in Financial Position
Schedule E-4	Statement of Changes in Stockholder's Equity
Schedule E-5	Detail of Utility Plant
Schedule E-7	Operating Statistics
Schedule E-8	Taxes Charged to Operations
Schedule E-9	Notes To Financial Statements
Schedule F-1	Projected Income Statements - Present and Proposed Rates
Schedule F-2	Projected Changes in Financial Position - Present and Proposed Rates
Schedule F-3	Projected Construction Requirements
Schedule F-4	Assumptions Used in Developing Projection
Schedule H-1	Summary of Revenues by Customer Classification - Present and Proposed Rates
Schedule H-2	Analysis of Revenues by Detailed Class
Schedule H-3	Changes In Representative Rate Schedules
Schedule H-4	Typical Bill Analysis
Schedule H-5	Bill Count

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Computation of Increase in Gross Revenue Requirements

Exhibit: RLJ-RJ1
Schedule A-1 - Rejoinder
Page 1
Witness: Jones

Line

No.

1	Original Cost Adjusted Rate Base	\$	20,556,719	
2				
3	Adjusted Operating Income	\$	(576,930)	
4				
5	Current Rate of Return		-2.81%	
6				
7	Required Operating Income	\$	1,521,197	
8				
9	Required Rate of Return		7.4%	
10				
11	Operating Income Deficiency	\$	2,098,127	
12				
13	Gross Revenue Conversion Factor		1.6613	
14				
15	Increase in Gross Revenue	\$	3,485,582	156.23%
16				
17				

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Summary Results of Operations

Exhibit: RLJ-RJ1
 Schedule A-2 - Rejoinder
 Page 1
 Witness: Jones

Line No.	Description	Prior Years Ended		Test Year		Projected Year	
		12/31/2009	12/31/2010	Actual 12/31/2011	Adjusted 12/31/2011	Present Rates 12/31/2012	Proposed Rates 12/31/2012
1	Gross Revenues	\$ 2,132,099	\$ 2,209,632	\$ 2,239,713	\$ 2,231,115	\$ 2,231,115	\$ 5,716,697
2	Revenue Deductions and						
3	Operating Expenses	2,786,863	2,782,352	3,045,196	2,808,045	2,852,916	4,240,371
4	Operating Income	(654,764)	(572,720)	(805,483)	(576,930)	(621,801)	1,476,326
5							
6	Other Income and						
7	Deductions	274,876	1,042,027	790,493	790,493	119,086	119,086
8	Interest Expense	(1,330,155)	(1,299,287)	(1,523,207)	(1,089,506)	(1,089,506)	(1,089,506)
9	Net Income	\$ (1,710,043)	\$ (829,979)	\$ (1,538,197)	\$ (875,943)	\$ (1,592,221)	\$ 505,906
10							
11	Earned Per Average						
12	Common Share						
13							
14	Dividends Per						
15	Common Share						
16							
17	Payout Ratio						
18							
19	Return on Average						
20	Invested Capital	-4.6%	-2.0%	-3.6%	-2.0%	-3.5%	1.1%
21							
22	Return on Year End						
23	Capital	-4.3%	-2.0%	-3.5%	-2.0%	-3.5%	1.1%
24							
25	Return on Average						
26	Common Equity	-592.6%	-24.1%	-28.5%	-13.4%	-24.5%	6.7%
27							
28	Return on Year End						
29	Common Equity	-75.9%	-17.9%	-25.1%	-12.0%	-28.0%	6.5%
30							
31	Times Bond Interest Earned						
32	Before Income Taxes	(0.49)	(0.44)	(0.85)	(1.49)	(1.49)	1.65
33							
34	Times Total Interest and						
35	Preferred Dividends Earned						
36	After Income Taxes	(0.49)	(0.44)	(0.53)	(0.53)	(0.53)	1.40
37							
38	<u>Supplemental Data</u>						
39							
40	Debt Service Coverage (Wastewater Division)			(0.30)			
41							
42	Debt Service Coverage (Entire Company)			0.93			
43							
44	<u>Supporting Schedules:</u>						
45	E-2 F-1						
46	C-1						
47							

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Summary of Capital Structure

Exhibit: RLJ-RJ1
 Schedule A-3 - Rejoinder
 Page 1
 Witness: Jones

Line No.	Description:	Prior Years Ended		Test Year	Projected Year
		12/31/2009	12/31/2010	12/31/2011	12/31/2012
1					
2					
3	Short-Term Debt	-	-	1,732,342	1,145,715
4	Long-Term Debt	19,941,944	21,914,277	21,323,943	25,597,448
5	Total Debt	\$ 19,941,944	\$ 21,914,277	\$ 23,056,285	\$ 26,743,163
6					
7	Preferred Stock	-	-	-	-
8	Common Equity	2,252,564	4,641,091	7,285,912	5,693,691
9	Total Capital & Debt	\$ 22,194,508	\$ 26,555,369	\$ 30,342,198	\$ 32,436,854
10					
11					
12	Capitalization Ratios:				
13					
14	Short-Term Debt	0.00%	0.00%	5.71%	3.53%
15	Long-Term Debt	89.85%	82.52%	70.28%	78.91%
16	Total Debt	89.85%	82.52%	75.99%	82.45%
17					
18	Preferred Stock	0.00%	0.00%	0.00%	0.00%
19	Common Equity	10.15%	17.48%	24.01%	17.55%
20	Total Capital	100.00%	100.00%	100.00%	100.00%
21					
28	Weighted Cost of				
29	Senior Capital	5.984%	5.496%	5.300%	5.200%
30					
31					
32					
33					
34					
35	Supporting Schedules:				
36	E-1 D-1				
37					

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Construction Expenditures and Gross Utility Plant In Service

Exhibit: RLJ-RJ1
 Schedule A-4 - Rejoinder
 Page 1
 Witness: Jones

Line No.	Year		Construction Expenditures	Net Plant Placed In Service	Gross Utility Plant In Service
1					
2	Prior Year Ended	12/31/2009	\$ 4,101,586	\$ 1,242,081	\$ 21,181,652
3					
4	Prior Year Ended	12/31/2010	3,021,716	853,174	22,034,826
5					
6	Test Year Ended	12/31/2011	2,102,526	20,570,785	42,605,611
7					
8	Projected Year Ending	12/31/2012	2,044,670	3,837,926	46,443,537
9					
10	Projected Year Ending	12/31/2013	164,500	295,413	46,738,950
11					
12	Projected Year Ending	12/31/2014	615,000	1,128,182	47,867,132
13					
14	<u>Supporting Schedules:</u>				
15	F-3				
16	E-5				
17					

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Summary Changes In Financial Position

Exhibit: RLJ-RJ1
 Schedule A-5 - Rejoinder
 Page 1
 Witness: Jones

Line No.		Prior	Prior	Test	Projected Year	
		Year Ended 12/31/2009	Year Ended 12/31/2010	Year Ended 12/31/2011	Present Rates 12/31/2012	Proposed Rates 12/31/2013
1	<u>Source of Funds</u>					
2	Operations	\$ (358,771)	\$ (2,684,431)	\$ (233,496)	\$ (905,762)	\$ 1,297,452
3						
4	Outside Financing	4,460,147	5,656,068	2,388,104	3,565,198	465,198
5						
6	Total Funds Provided	\$ 4,101,376	\$ 2,971,637	\$ 2,154,608	\$ 2,659,436	\$ 1,762,651
7						
8	<u>Application of Funds</u>					
9	Constriction Expenditures	\$ (4,101,586)	\$ (3,021,716)	\$ (2,102,526)	\$ (2,044,670)	\$ (2,044,670)
10						
11	Dividends/Distributions	-	-	-	-	-
12						
13	Other	-	-	-	-	-
14						
15	Total Funds Applied	\$ (4,101,586)	\$ (3,021,716)	\$ (2,102,526)	\$ (2,044,670)	\$ (2,044,670)
16						
17	Net Increase/(Decrease) in Cash	(209)	(50,079)	52,082	614,766	(282,019)
18						
19						
20						
21	<u>Supporting Schedules:</u>					
22	E-3					
23	F-2					
24						

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Summary of Original Cost Rate Base Elements

Exhibit: RLJ-RJ1
 Schedule B-1 - Rejoinder
 Page 1
 Witness: Jones

Line No.		Original Cost Rate Base*
1		
2	Gross Utility Plant in Service	\$ 34,938,233
3		
4	Less: Accumulated Depreciation	<u>4,824,701</u>
5		
6	Net Utility Plant in Service	30,113,532
7		
8	Less:	
9	Advances in Aid of Construction	10,192,451
10		
11	Contributions in Aid of Construction	1,726,854
12	Accumulated Amortization of CIAC	<u>(909,423)</u>
13	Contributions in Aid of Construction - Net	817,431
14		
15	Customer Security Deposits	26,359
16	Deferred Income Taxes	-
17		
18	Plus:	
19	Working Capital	1,479,427
20	Net Regulatory Asset / (Liability)	-
21		
22	Rate Base	<u>\$ 20,556,719</u>
23		
24	* including pro forma adjustments	
25		
26		
27	<u>Supporting Schedules:</u>	
28	B-2 B-5	
29	B-3 E-1	
30		

Recap Schedules:
 A-1

Witness:

Line No.	Acct No.	Description	As Filed			Rebuttal					Total Pro Forma Adjustments	Adjusted End of Test Year		
			Actual End of Test Year	PIS ADJ RB-1	A/D ADJ RB-2	CIAC ADJ RB-3	Lat Barrancas Not in Service ADJ RB-4	AFUDC Disallow ADJ RB-5	Interest Disallow ADJ RB-6	Legal/Other Disallow ADJ RB-7			Capetro MF Disallow ADJ RB-8	Working Capital ADJ RB-9
2		Gross Utility Plant in Service	\$ 42,605,611	\$ (4,854,479)	\$ -	\$ -	\$ (622,519)	\$ (1,024,942)	\$ (896,463)	\$ (168,193)	\$ (100,782)	\$ -	\$ (7,667,378)	\$ 34,938,233
3		Accumulated Depreciation	\$ 6,870,429	\$ -	\$ (1,924,696)	\$ -	\$ (68,477)	\$ (23,005)	\$ (22,789)	\$ (4,267)	\$ (2,494)	\$ -	\$ (2,045,728)	\$ 4,824,701
6		Net Utility Plant in Service	35,735,182	(4,854,479)	1,924,696	-	(554,042)	(1,001,937)	(873,674)	(163,926)	(98,288)	-	(5,621,650)	30,113,532
8		Less:												
9		Advances in Aid of Construction	10,814,970				(622,519)						(622,519)	10,192,451
11		Contributions in Aid of Construction	2,440,167			(713,313)							(713,313)	1,726,854
12		Accumulated Amortization of CIAC	(1,302,925)			393,502							393,502	(909,423)
13		Contributions in Aid of Construction - Net	1,137,242			(319,811)							(319,811)	817,431
15		Customer Security Deposits	26,359											26,359
16		Deferred Income Taxes												
17		Plus:												
18		Working Capital	1,653,938									(174,510)	(174,510)	1,479,427
19		Net Regulatory Asset / (Liability)												
20		Rate Base	\$ 25,410,549	\$ (4,854,479)	\$ 1,924,696	\$ 319,811	\$ 68,477	\$ (1,001,937)	\$ (873,674)	\$ (163,926)	\$ (98,288)	\$ (174,510)	\$ (4,853,830)	\$ 20,556,719
22		Summary Recap:												
24		Rate Base As Filed	\$ 22,800,577											
25		Rebuttal Adjustments	(2,243,858)											
26		Rebuttal Adjusted Rate Base	\$ 20,556,719											
27		Supporting Schedules:												
28		E-1												
29														
30														
31														

Recap Schedules:
 B-1

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Rate Base Adjustment RB-1

Exhibit: RLJ-RJ1
 Schedule B-2 - Rejoinder
 Page 2
 Witness: Jones

Plant in Service Balance

Line No.	Acct No.	Description	Book Adjustments - (included on Schedule B.2.1)										Rate Making Adjustment		
			[1.1] Conform to Decision No. 69335	[1.2] 2006 Audit Adjustment ¹	[1.3] Plant Held For Future Use	[1.4] Booked Capitalized Expenses	[1.5] Unbooked Misc. Plant Retirements	[1.6] Unbooked WWTP Retirements	Adjusted Book End of Test Year ²	Exclude Section 14	Adjusted End of Test Year				
4	351	Organization Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	352	Franchise Cost	3,076	-	-	-	-	-	-	-	3,076	-	-	3,076	-
6	353	Land and Land Rights	1,560,847	334,587	(147,410)	-	-	-	-	-	1,413,437	-	-	1,413,437	-
7	354	Structures & Improvements	2,633,622	(9,581)	(75,000)	-	-	-	-	(71,559)	2,477,482	-	-	2,477,482	-
8	355	Power Generating Equipment	68,993	-	-	-	-	-	-	-	68,993	-	-	68,993	-
9	360	Collection Sewers - Force	3,705,476	(197,379)	-	-	(2,923)	-	-	-	3,505,174	(846)	-	3,504,328	-
10	361	Collection Sewers - Gravity	8,749,140	(17,640)	0	-	-	-	-	-	8,731,500	(3,923)	-	8,727,577	-
11	362	Special Collecting Structures	-	-	-	-	-	-	-	-	-	-	-	-	-
12	363	Services to Customers	173,621	-	-	-	-	-	-	-	173,621	-	-	173,621	-
13	364	Flow Measuring Devices	32,468	-	-	-	-	-	-	-	32,468	-	-	32,468	-
14	365	Flow Measuring Installations	16,683	-	-	-	-	-	-	-	16,683	-	-	16,683	-
15	366	Reuse Services	-	-	-	-	-	-	-	-	-	-	-	-	-
16	367	Reuse Meters and Meter Installations	2,310	-	-	-	-	-	-	-	2,310	-	-	2,310	-
17	370	Receiving Wells	92,784	-	-	-	-	-	-	-	92,784	-	-	92,784	-
18	371	Pumping Equipment	1,496,705	19,255	-	-	(19,255)	-	-	-	1,496,705	-	-	1,395,638	-
19	374	Reuse Distribution Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Dist. Sys.	-	-	-	-	-	-	-	-	-	-	-	-	-
21	380	Treatment and Disposal Equipment	21,650,302	(584,970)	(231,971)	-	(19,867)	-	-	(1,196,028)	19,617,466	(1,932,055)	-	17,685,412	-
22	381	Plant Sewers	736,542	-	-	-	-	-	-	(4,569)	731,973	(108,302)	-	623,671	-
23	382	Outfall Sewer Lines	2,256	-	-	-	-	-	-	-	2,256	(451)	-	1,805	-
24	389	Other Plant and Misc. Equipment	418,687	4,833	-	-	(4,833)	(24,546)	-	-	394,141	-	-	394,141	-
25	390	Office Furniture & Equipment	257,292	-	-	-	-	(2,720)	-	-	254,572	-	-	254,572	-
26	390.1	Computers & Software	30,027	-	-	-	-	(18,670)	-	-	11,356	-	-	11,356	-
27	391	Transportation Equipment	271,810	-	-	-	-	-	-	-	271,810	-	-	271,810	-
28	392	Stores Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	27,069	-	-	-	-	-	-	-	27,069	-	-	27,069	-
30	394	Laboratory Equipment	33,710	-	-	-	-	(16,292)	-	-	17,418	-	-	17,418	-
31	395	Power Operated Equipment	181,667	-	-	-	-	-	-	-	181,667	-	-	181,667	-
32	396	Communications Equipment	17,191	-	-	-	-	-	-	-	17,191	-	-	17,191	-
33	397	Miscellaneous Equipment	204,504	-	-	-	-	(7,633)	-	(60,520)	136,351	-	-	136,351	-
34	398	Other Tangible Plant	238,828	-	-	-	-	-	-	-	238,828	-	-	238,828	-
35															
36															
37		TOTALS	\$ 42,605,611	\$ (1,120,069)	\$ 102,617	\$ (222,410)	\$ (46,877)	\$ (69,861)	\$ (1,332,676)	\$ (1,332,676)	\$ 39,916,333	\$ (2,165,201)	\$ (2,165,201)	\$ 37,751,132	\$ -
38		Equity Adjustments (Schedule D-1)	\$ (1,120,069)	\$ -	\$ -	\$ -	\$ (46,877)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,064,330)
39			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40		Plant in Service per Books	\$ 42,605,611	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,605,611	\$ -	\$ -	\$ 42,605,611	\$ -
41															
42		Increase / (Decrease) in Plant in Service													
43		¹ Adjustments of 2004 plant balances based on independent audit performed by Mallory & Associates CPA's at 12/31/2006													
44		² Adjusted plant in service balance including all book adjustments. Agrees with 2011 plant in service balance on Schedule B2.1.													
45															
46		Supporting Schedules:													
47		B-2.1													

Total Equity Adj. \$ (1,064,330)

Workpapers: FW Rate Case Data.xlsx

Used and Useful Adjustment for Section 14 WWTP

Line No.		Test Year	Projected 5-Yr Increase	Projected 12/31/2016
1	Phase I Capacity (MGD)	0.681	52.4%	
2	Phase II Capacity (MGD)	0.619	47.6%	
3	Ultimate Capacity	1.300	100.0%	
4				
5				
6	Maximum Day Flow (MGD)	0.511	0.181	0.692
7				
8				
9	Percent Phase I Capacity Utilized	75.0%	26.6%	101.6%
10	Percent Phase II Capacity Utilized	0.0%	0.0%	1.8%
11				
12				
13				
14				
15				
16	Section 14 WWTP Plant In Service	10,418,365	2,165,201	12,583,565
17				
18	Cost of Not Used and Useful Plant	-	2,165,201	2,165,201
19				

Incremental Phase I Cost 10,418,365
 Incremental Phase II Cost 2,165,201
 Total Cost 12,583,565

Workpapers:
 20 FW Rate Case Data.xlsx - Sec 14
 21
 22

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Rate Base Adjustment RB-2

Exhibit: RLJ-R11
 Schedule B-2 - Rejoinder
 Page 3
 Witness: Jones

Accumulated Depreciation

Line No.	Acct No.	Description	Book Adjustments - (Included on Schedule B.2.1)			Adjusted Book End of Test Year ¹	Rate Making Adjustment		Adjusted End of Test Year
			[2.1] Unbooked Plant Retirements	[2.2] Unbooked WWTP Retirements	[2.3] Difference From Calc'd on B-2.1		[2.4] Eliminate Rounding Differences	[2.5] Exclude Section 14 Phase II Costs	
4	351	Organization Cost							
5	352	Franchise Cost							
6	353	Land and Land Rights							
7	354	Structures & Improvements		(71,559)	(15,284)	51,270			51,270
8	355	Power Generating Equipment				1,725			1,725
9	360	Collection Sewers - Force			(27,450)	154,135	(8)		154,126
10	361	Collection Sewers - Gravity			(10,525)	1,712,526	(39)		1,712,487
11	362	Special Collecting Structures							
12	363	Services to Customers			(3,697)	4,698			4,698
13	364	Flow Measuring Devices			2,591	32,468			32,468
14	365	Flow Measuring Installations			2,918	16,683			16,683
15	366	Reuse Services							
16	367	Reuse Meters and Meter Installations			(0)	96			96
17	370	Receiving Wells			(2)	1,546	(309)		1,237
18	371	Pumping Equipment			50,710	448,533	(6,317)		442,217
19	374	Reuse Distribution Reservoirs							
20	375	Reuse Transmission and Dist. Sys.							
21	380	Treatment and Disposal Equipment		(1,196,028)	(497,379)	2,132,384	(48,301)		2,084,083
22	381	Plant Sewers		(4,569)	(1,025)	21,894	(2,708)		19,186
23	382	Outfall Sewer Lines			(0)	38	(8)		30
24	389	Other Plant and Misc. Equipment			(5,758)	15,012			15,012
25	390	Office Furniture & Equipment			(1,559)	27,184			27,184
26	390	Computers & Software			(2,927)	3,709			3,709
27	391	Transportation Equipment			68,655	194,028			194,028
28	392	Stores Equipment							
29	393	Tools, Shop & Garage Equipment			0	3,124			3,124
30	394	Laboratory Equipment			(4,177)	793			793
31	395	Power Operated Equipment			1	23,457			23,457
32	396	Communications Equipment			0	1,182			1,182
33	397	Miscellaneous Equipment		(60,520)	(19,561)	49,465			49,465
34	398	Other Tangible Plant				107,473			107,473
35		Unreconciled Difference							
36									
37		TOTALS	\$ 6,870,429	\$ (1,332,676)	\$ (464,469)	\$ 5,003,423	\$ (57,690)	\$ -	\$ 4,945,733
38		Equity Adjustments (Schedule D-1)							\$ 464,468
39									\$ 6,870,429
40		Accumulated Depreciation per Books							\$ 6,870,429
41									\$ (1,924,696)
42		Increase / (Decrease) in Accumulated Depreciation							\$ 494,733
43									

¹ Adjusted accumulated depreciation balance including all book adjustments. Agrees with 2011 accumulated depreciation balance on Schedule B2.1.

Accumulated Depreciation Related to Section 14 WWTP Phase II Facilities

Line No.	Plant Acct	Plant Adjustment \$	Depreciation Rate	Years	Accumulated Depreciation \$
1	351 Organization Cost	-	0.00%	0.5	-
2	352 Franchise Cost	-	0.00%	0.5	-
3	353 Land and Land Rights	-	0.00%	0.5	-
4	354 Structures & Improvements	-	3.33%	0.5	-
5	355 Power Generating Equipment	-	5.00%	0.5	-
6	360 Collection Sewers - Force	(846)	2.00%	0.5	(8)
7	361 Collection Sewers - Gravity	(3,923)	2.00%	0.5	(39)
8	362 Special Collecting Structures	-	2.00%	0.5	-
9	363 Services to Customers	-	2.00%	0.5	-
10	364 Flow Measuring Devices	-	10.00%	0.5	-
11	365 Flow Measuring Installations	-	10.00%	0.5	-
12	366 Reuse Services	-	2.00%	0.5	-
13	367 Reuse Meters and Meter Installations	-	8.33%	0.5	-
14	370 Receiving Wells	(18,557)	3.33%	0.5	(309)
15	371 Pumping Equipment	(101,067)	12.50%	0.5	(6,317)
16	374 Reuse Distribution Reservoirs	-	2.50%	0.5	-
17	375 Reuse Transmission and Dist. Sys.	-	2.50%	0.5	-
18	380 Treatment and Disposal Equipment	(1,932,055)	5.00%	0.5	(48,301)
19	381 Plant Sewers	(108,302)	5.00%	0.5	(2,708)
20	382 Outfall Sewer Lines	(451)	3.33%	0.5	(8)
21	389 Other Plant and Misc. Equipment	-	6.67%	0.5	-
22	390 Office Furniture & Equipment	-	20.00%	0.5	-
23	390 Computers & Software	-	20.00%	0.5	-
24	391 Transportation Equipment	-	20.00%	0.5	-
25	392 Stores Equipment	-	4.00%	0.5	-
26	393 Tools, Shop & Garage Equipment	-	5.00%	0.5	-
27	394 Laboratory Equipment	-	10.00%	0.5	-
28	395 Power Operated Equipment	-	5.00%	0.5	-
29	396 Communications Equipment	-	10.00%	0.5	-
30	397 Miscellaneous Equipment	-	10.00%	0.5	-
31	398 Other Tangible Plant	-	10.00%	0.5	-
32	Totals	\$ (2,165,201)			\$ (57,690)
33					\$ (57,690)
34	Increase/(Decrease) in Accumulated Depreciation				
35					

Contributions-In-Aid of Construction (CIAC) and Accumulated Amortization of CIAC

Line No.	CIAC	Accumulated Amortization
1		
2	\$ 1,726,854	\$ 909,423
3		
4	\$ 2,440,167	\$ 1,302,925
5		
6	\$ (713,313)	\$ (393,502)
7		
8	\$ 713,313	\$ (393,502)
9		
10		
11		
12		
13		
14		
15		
16		
17		

Supporting Schedules:
 B-2, Page 4.1

Calculation of CIAC Balances

Line No.	Description	Amort Rate	Decision No. 69335		2005		2006		2007	
			Balance 12/31/2004	Adjustments Per 2006 Audit	Amount	Balance	Additions	Balance	Additions	Balance
1	CIAC - 361 Collection Sewers		64,397	(44,113)	20,284	20,284	20,284	20,284	20,284	20,284
2	CIAC - 380 Treatment & Disposal Eq.		3,182,660	(1,476,090)	1,706,570	1,706,570	1,706,570	1,706,570	1,706,570	1,706,570
3	Total CIAC		3,247,057		1,726,854	1,726,854	1,726,854	1,726,854	1,726,854	1,726,854
4	Amortization CIAC (half-yr convention)									
5	CIAC - 361 Collection Sewers	2.0%	3,220	(2,206)	1,014	1,420	406	1,826	406	2,231
6	CIAC - 380 Treatment & Disposal Eq.	5.0%	382,074	(73,805)	308,270	393,598	85,329	478,927	85,329	564,255
7	Accumulated Amortization of CIAC		385,294		309,284	395,018		480,752		566,486
8	Net CIAC		2,861,763		1,417,570	1,331,836		1,246,102		1,160,368
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20	CIAC - 361 Collection Sewers		20,284		20,284	20,284	20,284	20,284	20,284	20,284
21	CIAC - 380 Treatment & Disposal Eq.		1,706,570		1,706,570	1,706,570	1,706,570	1,706,570	1,706,570	1,706,570
22	Total CIAC		1,726,854		1,726,854	1,726,854	1,726,854	1,726,854	1,726,854	1,726,854
23										
24										
25	Amortization CIAC (half-yr convention)									
26	CIAC - 361 Collection Sewers	2.0%	2,231	406	2,637	3,043	406	3,448	406	3,854
27	CIAC - 380 Treatment & Disposal Eq.	5.0%	564,255	85,329	649,584	734,912	85,329	820,241	85,329	905,569
28	Accumulated Amortization of CIAC		566,486		652,221	737,955		823,689		909,423
29	Net CIAC		1,160,368		1,074,633	988,899		903,165		817,431
30										
31										
32										
33										
34										
35										
36										
37	Supporting Schedules:									
38										
39	B-2, Page 4.2									
40										

Composite Amortization Rate 4.9648%

Detail of Adjustments for CIAC and Amortization of CIAC

Line No.	DESCRIPTION	DATE ACQ	A/C NO.	LOC #	ORIGINAL BOOK BASIS	Adjust Dec. No. 59335	Adjusted Balance Per Decision	2006 Audit Adjustment ¹	2004 Adjusted Balance
1	<u>CIAC Adjustments</u>								
2									
3	<u>DESCRIPTION</u>								
4	COLL SEWERS-GRAVITY-CIAC		361C						
5	Payson (Fortuna Rd Ext, 5)	7/1/2000	361C	S2	69,500	(69,500)	20,284		20,284
6	Swinsn\Ave 10E, Lines & 11 MH	7/1/2001	361C	S2	73,684	(53,400)	44,113	(44,113)	
7	Seasons Unit 3 Lines	7/1/2002	361C	S3	121,515	(77,402)	44,113	(44,113)	
8	Palm Shadows Fortuna Rd Ext	7/1/2002	361C		264,699	(200,302)	64,397	(44,113)	20,284
9									
10									
11	TREATMENT, DISPOSAL EQ CIAC		380C						
12	Marwood Sewer Plant-Final	7/1/1999	380C	S8	426,690	(344,910)	81,780		81,780
13	Palm Shdws Treatment Pit	7/1/1999	380C	S2	408,981	(139,756)	269,225		269,225
14	Seasons Treatment Plant	7/1/1999	380C	S3	345,247	(64,698)	280,549		280,549
15	Palm Shadows Additions	7/1/2000	380C	S2	6,864	-	6,864		6,864
16	Del Rey Sewer Plant-Estab	7/1/2001	380C	S5	65,000	-	65,000		65,000
17	Royale Sewer Plant	7/1/2001	380C	S6	65,000	-	65,000		65,000
18	Del Oro Plnt 20% Est w LS	7/1/2001	380C	S4	52,000	-	52,000		52,000
19	Palm Shdws Plant Addn	7/1/2001	380C	S2	593,731	(30,937)	562,794		562,794
20	Section 14 WWTP w\ Lift Station	7/1/2003	380C	S7	756,614	(126,069)	630,545	(630,545)	
21	MDS Plant Upgrade	7/1/2004	380C	S4	333,471	(10,113)	323,358		323,358
22	Del Oro WWTP	7/1/2004	380C	S4	845,545	-	845,545	(845,545)	
23					3,899,143	(716,483)	3,182,660	(1,476,090)	1,706,570
24									
25	TOTAL CIAC		361C		264,699	(200,302)	64,397	(44,113)	20,284
26	TOTAL CIAC		380C		3,899,143	(716,483)	3,182,660	(1,476,090)	1,706,570
27	TOTALS				4,163,842	(916,785)	3,247,057	(1,520,203)	1,726,854
28									
29	<u>Accumulated Amortization Adjustments</u>								
30									
31									
32									
33	<u>DESCRIPTION</u>								
34	COLL SEWERS-GRAVITY-CIAC								
35	Palm Shadows Fortuna Rd Ext	7/1/2002	2.0%	(441)	(882)	(882)	(2,206)		(2,206)
36				(441)	(882)	(882)	(2,206)		(2,206)
37									
38	TREATMENT, DISPOSAL EQ CIAC								
39									
40	Section 14 WWTP w\ Lift Station	7/1/2003	5.0%	(441)	(882)	(882)	(2,206)		(2,206)
41	Del Oro WWTP	7/1/2004	5.0%	(441)	(882)	(882)	(2,206)		(2,206)
42									
43									
44	TOTAL Amortization of CIAC			(441)	(882)	(882)	(2,206)		(2,206)
45	TOTAL Amortization of CIAC			(441)	(882)	(882)	(2,206)		(2,206)
46	TOTALS			(441)	(882)	(882)	(2,206)		(2,206)
47									

¹Adjustments of 2004 plant balances based on independent audit performed by Mallory & Associates CPA's at 12/31/2006

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Rate Base Adjustment RB-4

Exhibit: RLJ-RJ1
 Schedule B-2 - Rejoinder
 Page 5
 Witness: Jones

Las Barrancas #1 - Not In Service (Staff RBA #3)

Line

No.

1				
2	Advance Balance per GL		\$	983,459
3	Less Cash Advances:			
4	Off-Site Sewer Costs		(354,292)	
5	Admin Costs (net)		(6,649)	
6				
7	Plant In Service Balance Per GL		<u>\$</u>	<u>622,519</u> Account 361 - Collection Sewers Gravity
8				
9	Accumulated Depreciation		<u>\$</u>	<u>68,477</u> (5.5 years at 2.0%)
10				
11	Adjustments:			
12		<u>Plant Acct.</u>		<u>Rate Base</u>
13	Plant In Service	361	\$ (622,519)	\$ (622,519)
14	Accumulated Depreciation	361	(68,477)	68,477
15	AIAC		(622,519)	<u>622,519</u>
16	Net Adjustment to Rate Base			68,477
17				
18				

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Per Decision No. 69335 - 02/20/2007				Conform Current Books to 69335				Adjust per Audited Financial Statement				
				[1] Book Plant at 12/31/2004 ¹ [CSB-4]	[2] Unsupported Plant [CSB-5]	[3] Adjustments Plant [CSB-6]	[4] Capitalized Affil. Profit [CSB-7]	[5] Adjusted Plant at 12/31/2004 (1)+(2)+(3)+(4)	[6] Adjusted Accum Depr 12/31/2004 [CSB-9]	[7] Adjusted Net Plant 12/31/2004 [5]-[6]	[8] Book Plant at 12/31/2004 [FW G/L]	[9] Conforming Plant Adjustment [5]-[8]	[10] Adjusted Plant at 12/31/2004 [8]+[9]	[11] 2006 Audit Adjustment ³ [FW G/L]	[12] Adjusted Plant at 12/31/2004 [10]+[11]	[13] Adjusted Net Plant 12/31/2004 [12]-[6]
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	
2	352	Franchise Cost	0.00%	3,076	-	-	-	3,076	-	3,076	-	-	3,076	-	3,076	
3	353	Land and Land Rights	0.00%	82,567	-	-	-	82,567	-	82,567	-	-	82,567	-	82,567	
4	354	Structures & Improvements	3.33%	213,157	-	-	(9,581)	203,576	-	203,576	(9,581)	-	203,576	-	203,576	
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
6	360	Collection Sewers - Force	2.00%	423,126	(200,302)	2,923	-	225,747	-	225,747	(197,379)	-	225,747	-	225,747	
7	361	Collection Sewers - Gravity	2.00%	7,689,131	-	-	(17,640)	7,671,491	-	7,671,491	(17,640)	0	7,671,491	-	7,671,491	
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	
9	363	Services to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	
10	364	Flow Measuring Devices	10.00%	25,725	-	-	-	25,725	-	25,725	-	-	25,725	-	25,725	
11	365	Flow Measuring Installations	10.00%	11,378	-	-	-	11,378	-	11,378	-	-	11,378	-	11,378	
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-	-	
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-	-	
15	371	Pumping Equipment	12.50%	192,774	-	19,255	-	212,029	-	212,029	19,255	-	212,029	-	212,029	
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	
18	380	Treatment and Disposal Equipment	5.00%	5,444,879	(716,483)	19,867	(120,324)	4,627,939	-	4,627,939	(584,970)	-	4,627,939	(231,971)	4,395,968	
19	381	Plant Sewers	5.00%	20,168	-	-	-	20,168	-	20,168	-	-	20,168	-	20,168	
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-	-	
21	389	Other Plant and Misc. Equipment	6.67%	16,044	-	4,833	-	20,877	-	20,877	4,833	-	20,877	-	20,877	
22	390	Office Furniture & Equipment	6.67%	7,530	-	-	-	7,530	-	7,530	-	-	7,530	-	7,530	
23	390.1	Computers & Software	20.00%	13,442	-	-	-	13,442	-	13,442	-	-	13,442	-	13,442	
24	391	Transportation Equipment	20.00%	193,939	-	-	-	193,939	-	193,939	-	-	193,939	-	193,939	
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-	-	
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
27	394	Laboratory Equipment	10.00%	4,236	-	-	-	4,236	-	4,236	-	-	4,236	-	4,236	
28	395	Power Operated Equipment	5.00%	2,940	-	-	-	2,940	-	2,940	-	-	2,940	-	2,940	
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	
30	397	Miscellaneous Equipment	10.00%	93,591	-	-	-	93,591	-	93,591	-	-	93,591	-	93,591	
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	
32																
33																
34																
35																
36																
		TOTAL		14,437,703	(916,785)	46,877	(147,545)	13,420,251	1,488,472	11,931,779	14,540,320	(1,120,069)	13,420,251	102,617	13,522,867	12,034,395

¹ During last case balances in Acct. 365 were included in Acct. 364 and balances in Acct. 390.1 were included in Acct. 390.
² Accumulated Depreciation for Acct. 364 and 390 were allocated on a prorata basis to Acct. 365 and 390.1, respectively.
³ Adjustments of 2004 plant balances based on independent audit performed by Mallory & Associates CPA's at 12/31/2006

Line No.	NARUC Account No.	Description	Allowed		Adjusted		2006		Depreciation (Calculated)	Salvage A/D Only	Adjusted Plant Retirements	Plant Balance	Accum. Deprec.	Net Plant
			Rate	Plant Additions	Plant Adjustments	Plant Additions	Plant Retirements							
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	3,076	-	3,076
4	354	Structures & Improvements	3.33%	10,706	-	-	-	-	-	-	-	417,154	-	417,154
5	355	Power Generating Equipment	5.00%	-	-	10,706	-	-	7,395	-	-	227,422	36,100	191,322
6	360	Collection Sewers - Force	2.00%	291,768	-	-	-	-	-	-	-	517,516	63,854	453,662
7	361	Collection Sewers - Gravity	2.00%	622,519	-	-	-	-	-	-	-	8,313,615	854,860	7,458,755
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Services to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	-	-	-
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	-	-	-	-
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	101,215	-	-	-	-	-	-	-	-	-	-
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	675,205	-	-	-	-	-	-	-	-	-	-
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	-	-	-	-
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	9,253	-	-	-	-	-	-	-	-	-	-
22	390	Office Furniture & Equipment	6.67%	7,836	-	-	-	-	-	-	-	-	-	-
23	390.1	Computers & Software	20.00%	-	-	-	-	-	-	-	-	-	-	-
24	391	Transportation Equipment	20.00%	21,521	-	-	-	-	-	-	-	-	-	-
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	1,657	-	-	-	-	-	-	-	-	-	-
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	8,988	-	-	-	-	-	-	-	-	-	-
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	-
32														
33														
34														
35														
36														
TOTAL				1,750,670	-	1,750,670	110,278	2,340	542,740	-	112,618	16,117,893	2,409,249	13,703,644

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Reconciliation of Plant Additions, Retirements and Accumulated Depreci

Exhibit: RJ-RJ1
 Schedule B-2.1 - Rejoinder
 Page 6
 Witness: Jones

Line No.	NARUC Account No.	Description	Allowed		Adjusted		2009 Adjusted		Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
			Rate	Deprec.	Plant Additions	Plant Adjustments	Plant Additions	Plant Retirements					
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-	3,076	-	-	3,076
3	353	Land and Land Rights	0.00%	-	-	-	-	-	-	1,338,115	-	-	1,338,115
4	354	Structures & Improvements	3.33%	719,461	-	-	-	-	-	385,101	62,315	-	322,786
5	355	Power Generating Equipment	5.00%	131,745	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	3,775	-	-	-	-	-	546,008	95,739	-	450,269
7	361	Collection Sewers - Gravity	2.00%	-	-	-	-	-	-	8,577,352	1,366,864	-	7,210,488
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-
9	363	Services to Customers	2.00%	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	-	-
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	32,468	32,468	-	-
12	366	Reuse Services	2.00%	-	-	-	-	-	-	1,668	15,346	-	1,337
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	19,160	-	-	-	-	-	50,243	411,524	-	138,624
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	126,907	-	-	-	25,114	-	374,791	7,546,707	2,245,690	5,301,018
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	780	15,599	2,234	13,365
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	-	-	-	-	-	-	-	-	-	-
22	390	Office Furniture & Equipment	6.67%	330	-	-	-	763	-	5,227	77,987	2,320	75,667
23	390.1	Computers & Software	20.00%	348	-	-	-	4,024	-	929	14,094	3,676	10,418
24	391	Transportation Equipment	20.00%	53,818	-	-	-	-	-	3,138	13,853	2,846	11,007
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	38,981	221,813	101,195	120,618
26	393	Tools, Shop & Garage Equipment	5.00%	23,664	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	(4,000)	-	-	-	-	-	592	23,664	592	23,072
28	395	Power Operated Equipment	5.00%	166,875	-	-	-	16,993	-	2,537	14,872	1,155	13,718
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	4,494	173,324	5,917	167,406
30	397	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	-	-	-
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	12,228	122,278	23,778	98,500
32				-	-	-	-	-	-	23,883	238,828	59,707	179,121
33				-	-	-	-	-	-	-	-	-	-
34				-	-	-	-	-	-	-	-	-	-
35				-	-	-	-	-	-	-	-	-	-
36				-	-	-	-	-	-	-	-	-	-
TOTAL				1,242,081	-	1,242,081	-	46,894	-	713,763	19,773,345	4,294,740	15,478,605

Line No.	NARUC Account No.	Description	Allowed		Adjusted		2010 Adjusted		Salvage A/D Only	Depreciation [Calculated]	Plant Balance	Accum. Deprec.	Net Plant
			Deprec. Rate	Plant Additions	Plant Adjustments	Plant Additions	Retirements	Retirements					
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-	3,076	-	-	3,076
3	353	Land and Land Rights	0.00%	-	-	-	-	-	-	1,338,115	-	-	1,338,115
4	354	Structures & Improvements	3.33%	843	-	843	-	-	-	385,943	75,153	-	310,791
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	348,184	-	348,184	-	-	-	14,402	110,141	-	784,051
7	361	Collection Sewers - Gravity	2.00%	51,333	-	51,333	-	-	-	172,060	1,538,924	-	7,089,761
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-
9	363	Services to Customers	2.00%	148,087	-	148,087	-	-	-	1,481	1,481	-	146,606
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	32,468	32,468	-	-
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	1,337	16,683	-	-
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	39,434	-	39,434	-	-	-	53,905	450,957	326,804	124,153
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-
18	380	Reuse Treatment and Disposal Equipment	5.00%	23,879	-	23,879	492	492	-	377,920	7,570,094	2,623,118	4,946,976
19	381	Plant Sewers	5.00%	3,811	-	3,811	-	-	-	875	19,410	3,109	16,301
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	-	-	-	7,739	7,739	-	4,944	70,248	(476)	70,723
22	390	Office Furniture & Equipment	6.67%	204,014	-	204,014	-	-	-	7,744	218,108	11,420	206,688
23	390.1	Computers & Software	20.00%	4,179	-	4,179	179	179	-	3,171	17,853	5,837	12,016
24	391	Transportation Equipment	20.00%	19,291	-	19,291	-	-	-	46,292	241,104	147,486	93,617
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	1,618	-	1,618	-	-	-	1,224	25,282	1,815	23,467
27	394	Laboratory Equipment	10.00%	-	-	-	1,642	1,642	-	1,405	13,231	918	12,312
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	8,666	173,324	14,584	158,740
29	396	Communications Equipment	10.00%	3,225	-	3,225	-	-	-	161	3,225	161	3,064
30	397	Miscellaneous Equipment	10.00%	5,277	-	5,277	-	-	-	12,492	127,555	36,270	91,285
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	23,883	238,828	83,590	155,238
32													
33													
34													
35													
36													
TOTAL				853,174	-	853,174	10,051	10,051	-	744,799	20,616,468	5,029,487	15,586,981

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Computation of Working Capital

Exhibit: RLJ-RJ1
Schedule B-5 - Rejoinder
Page 1
Witness: Jones

Line No.		Working Capital
1		
2	Cash Working Capital	\$ (101,161)
3	(Schedule B-5, Page 2)	
4		
5	Material and Supplies Inventories	18,440
6		
7	Working Funds and Special Deposits	1,548,498
8		
9	Prepayments	13,641
10		
11	Total Working Capital Allowance	<u>\$ 1,479,418</u>
12		
13	Working Capital Allowance - As Filed	1,653,928
14		
15	Working Capital Allowance - Rebuttal Adjustment	<u>\$ (174,510)</u>
16		
17		
18	<u>Supporting Schedules:</u>	
19	E-1	
20		

Recap Schedules:
B-1

Line No.		Test Year Adjusted Amount	Revenue Lag Days	Expense Lag Days	Net Lag Days	Lead / Lag Factor	Cash Working Capital Required
1	OPERATING EXPENSES						
2	Salaries and Wages	\$ 877,462	45.5768	12.0000	33.5768	0.0920	\$ 80,719
3	Group Insurance	27,421	45.5768	(2.3334)	47.9102	0.1313	\$ 3,599
4	Sludge Removal	55,247	45.5768	239.8508	(194.2740)	(0.5323)	\$ (29,406)
5	Purchased Power	342,364	45.5768	59.8966	(14.3198)	(0.0392)	\$ (13,432)
6	Chemicals	219,910	45.5768	63.9648	(18.3880)	(0.0504)	\$ (11,079)
7	Repairs and Maintenance	181,981	45.5768	66.6282	(21.0514)	(0.0577)	\$ (10,496)
8	Contractual Services	225,861	45.5768	67.2163	(21.6395)	(0.0593)	\$ (13,390)
9	Rent - Buildings	20,669	45.5768	(18.5294)	64.1062	0.1756	\$ 3,630
10	Rent - Equipment	45,758	45.5768	25.4922	20.0846	0.0550	\$ 2,518
11	Transportation Expense	129,723	45.5768	(11.7634)	57.3402	0.1571	\$ 20,379
12	Insurance	62,877	45.5768	20.6635	24.9133	0.0683	\$ 4,292
13	Depreciation & Amortization	-	45.5768	-	45.5768	0.1249	\$ -
14	Other Operating Expenses ^{1 3}	64,390	45.5768	30.0000	15.5768	0.0427	\$ 2,748
15	TAXES						
16	Taxes Other than Income	71,842	45.5768	15.9481	29.6287	0.0812	\$ 5,832
17	Property Taxes ²	143,986	45.5768	729.6032	(684.0264)	(1.8740)	\$ (269,837)
18	Income Tax ²	271,376	45.5768	37.8750	7.7018	0.0211	\$ 5,726
19	INTEREST						
20	Interest Expense	1,523,207	45.5768	17.5322	28.0446	0.0768	\$ 117,035
21							
22							
23	WORKING CASH REQUIREMENT						<u>\$ (101,161)</u>

25 ¹All other Operating Expenses are assumed to be paid by the 30th of the month following the receipt of goods and services.

26 ²At proposed rates.

27 ³Bad Debt at proposed rates.

28 Workpapers:

29 FW Lead Lag Study - Rebuttal.xlsx

30

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Adjusted Test Year Income Statement

Exhibit: RLI-RJ1
 Schedule C-1 - Rejoinder
 Page 1
 Witness: Jones

Line No.		Actual for Test Year Ended 12/31/2011	Total Pro forma Adjustments	Test Year Results After Pro forma Adjustments	Proposed Rate Increase	Adjusted With Rate Increase
1	Revenues					
2	413 Income Utility Plant Leased to Others	\$ 3,612	\$ (3,612)	\$ -		\$ -
3	521 Flat Rate Revenue	2,061,278	(4,986)	2,056,292	3,485,582	5,541,874
4	536 Other Sewer Revenues	43,064	-	43,064		43,064
5	541 Metered Reuse Revenue	131,759	-	131,759	-	131,759
6	Total Revenues	\$ 2,239,713	\$ (8,598)	\$ 2,231,115	\$ 3,485,582	\$ 5,716,697
7	Operating Expenses					
8	701 Salaries and Wages	\$ 683,996	\$ 116,713	\$ 800,709		\$ 800,709
9	703 Salaries and Wages - Officers and Directors	137,000	(60,247)	76,753		76,753
10	704 Employee Pension and Benefits	27,421	-	27,421		27,421
11	710 Purchased Sewer Treatment	-	-	-		-
12	711 Sludge Removal Expense	55,247	-	55,247		55,247
13	715 Purchased Power	288,248	54,116	342,364		342,364
14	718 Chemicals	219,910	-	219,910		219,910
15	720 Repairs and Maintenance	181,981	-	181,981		181,981
16	731 Contractual Services - Engineering	-	-	-		-
17	732 Contractual Services - Accounting	7,230	-	7,230		7,230
18	733 Contractual Services - Legal	43,865	(32,975)	10,890		10,890
19	734 Contractual Services - Management Fees	-	-	-		-
20	735 Contractual Services - Testing	147,025	-	147,025		147,025
21	736 Contractual Services - Other	60,716	-	60,716		60,716
22	741 Rent - Buildings	20,669	-	20,669		20,669
23	742 Rent - Equipment	45,758	-	45,758		45,758
24	750 Transportation Expense	129,723	-	129,723		129,723
25	756 Insurance - Vehicle	12,610	-	12,610		12,610
26	757 Insurance - General Liability	33,142	-	33,142		33,142
27	758 Insurance - Workman's Compensation	17,125	-	17,125		17,125
28	759 Insurance - Other	-	-	-		-
29	760 Advertising Expense	476	-	476		476
30	766 Regulatory Commission Expense - Rate Case	-	75,000	75,000		75,000
31	767 Regulatory Expense - Other	-	-	-		-
32	770 Bad Debt Expense	33,490	(20,450)	13,040	20,371	33,411
33	775 Miscellaneous Expense	30,503	-	30,503		30,503
34	403 Depreciation Expense	1,165,350	214,282	1,379,632		1,379,632
35	408 Taxes Other Than Income	74,250	(2,408)	71,842		71,842
36	408.11 Property Taxes	122,350	(26,493)	95,858	48,128	143,986
37	409 Income Tax	(492,891)	(554,689)	(1,047,580)	1,318,956	271,376
38	Total Operating Expenses	\$ 3,045,196	\$ (237,151)	\$ 2,808,045	\$ 1,387,455	\$ 4,195,500
39	Operating Income	\$ (805,483)	\$ 228,553	\$ (576,930)	\$ 2,098,127	\$ 1,521,197
40	Other Income (Expense)					
41	409.20 Income Tax - Other Income and Deductions	\$ 449,875	\$ -	\$ 449,875		\$ 449,875
42	415 Revenue from Jobbing, Contract Work	26,176	-	26,176		26,176
43	416 Expenses from Jobbing, Contract Work	(26,176)	-	(26,176)		(26,176)
44	419 Interest and Dividend Income	246	-	246		246
45	420 AFUDC	748,855	-	748,855		748,855
46	421 Non-Utility Income	-	-	-		-
47	426 Miscellaneous Non-Utility Expenses	(33,219)	-	(33,219)		(33,219)
48	427 Interest Expense	(1,523,207)	433,701	(1,089,506)		(1,089,506)
49	428 Amortization of Debt Discount and Expense	(49,593)	-	(49,593)		(49,593)
50	429 Amortization of Premium on Debt	3,285	-	3,285		3,285
51	434 Extraordinary Deductions	(328,956)	-	(328,956)		(328,956)
52	Total Other Income (Expense)	\$ (732,714)	\$ 433,701	\$ (299,013)	\$ -	\$ (299,013)
53	Net Income (Loss)	\$ (1,538,197)	\$ 662,254	\$ (875,943)	\$ 2,098,127	\$ 1,222,184

Supporting Schedules:
 E-2 C-2

Recap Schedules:
 A-1

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Income Statement Pro Forma Adjustments

Exhibit: RLI-RI1
 Schedule C-2 - Rejoinder
 Page 2
 Witness: Jones

Line No.	Description	As Filed		Updated Adjustments			Total Adjustments	Test Year Adjusted Results
		ADJ 15-13 Rate Case	ADJ 15-14 Sync. Int.	ADJ 15-15 Depreciation	ADJ 15-16 Prop. Tax	ADJ 15-17 Income Tax		
1	Revenues							
2	413 Income Utility Plant Leased to Others							
3	521 Flat Rate Revenue							
4	536 Other Sewer Revenues							
5	541 Metered Rouse Revenue							
6	Total Revenues							2,056,292
7	Operating Expenses							43,064
8	701 Salaries and Wages							131,759
9	702 Salaries and Wages - Officers and Directors							2,231,115
10	704 Employee Pension and Benefits							800,709
11	710 Purchased Sewer Treatment							76,753
12	711 Sludge Removal Expense							27,421
13	715 Purchased Power							55,247
14	718 Chemicals							342,364
15	720 Repairs and Maintenance							219,910
16	731 Contractual Services - Engineering							181,981
17	732 Contractual Services - Accounting							7,230
18	733 Contractual Services - Legal							10,890
19	734 Contractual Services - Management Fees							147,025
20	735 Contractual Services - Testing							60,716
21	736 Contractual Services - Other							20,669
22	741 Rent - Buildings							45,758
23	742 Rent - Equipment							129,723
24	750 Transportation Expense							12,610
25	756 Insurance - Vehicle							33,142
26	757 Insurance - General Liability							476
27	758 Insurance - Workman's Compensation							75,000
28	759 Insurance - Other							20,450
29	760 Advertising Expense							13,040
30	766 Regulatory Commission Expense - Rate Case							30,503
31	767 Regulatory Expense - Other							1,379,632
32	770 Bad Debt Expense							71,842
33	775 Miscellaneous Expense							95,858
34	403 Depreciation Expense		214,282					1,047,580
35	408 Taxes Other Than Income							2,808,045
36	408.11 Property Taxes							(576,930)
37	409 Income Tax							
38	Total Operating Expenses							
39	Operating Income							
40	Other Income (Expense)							
41	409.20 Income Tax - Other Income and Deductions							
42	415 Revenue from Jobbing, Contract Work							
43	416 Expenses from Jobbing, Contract Work							
44	419 Interest and Dividend Income							
45	420 AFUDC							
46	421 Non-Utility Income							
47	426 Miscellaneous Non-Utility Expenses							
48	427 Interest Expense							
49	428 Amortization of Debt Discount and Expense							
50	429 Amortization of Premium on Debt							
51	434 Extraordinary Deductions							
52	Total Other Income (Expense)							
53	Net Income (Loss)							
54								
55	Supporting Schedules:							

Recap Schedules:
 C-1

Line

No.

1	<u>Adjust Revenue to Eliminate Income From Leased Utility Plant</u>	
2		
3	Revenues received from leased utility plant should be removed from revenue in order	
4	to match revenues to rate base, which excludes leased utility plant.	
5		
6		
7	Book revenue from Leased Utility Plant	\$ 3,612
8		
9	Increase/(Decrease) in Revenue	<u>\$ (3,612)</u>
10		
11		
12		
13		

Line

No.

1	<u>Adjust Revenue to eliminate unbilled revenue</u>	
2		
3	Revenue is accrued at year-end to account for unbilled revenue based on an estimate	
4	of the usage that has occurred since the December meter reading. The following year the	
5	unbilled revenue entry is reversed. The net of these entries should be eliminated.	
6		
7	<u>Flat Rate Revenue</u>	
8	Reversal of 2010 Unbilled Revenue (Residential)	\$ (115,489)
9	Reversal of 2010 Unbilled Revenue (Commercial)	(1,321)
10	Reversal of 2010 Unbilled Revenue (RV Parks)	(2,493)
11	Booked 2011 Unbilled Revenue (Residential)	122,111
12	Booked 2011 Unbilled Revenue (Commercial)	1,432
13	Booked 2011 Unbilled Revenue (RV Parks)	3,879
14	Net Unbooked Revenue	<u>\$ 8,119</u>
15		
16	Increase/(Decrease) in Revenues	<u>\$ (8,119)</u>
17		
18		
19		
20		
21		
22	<u>Workpaper</u>	
23	FW Rate Case Data.xlsx - Trial Bal Adj	
24		

Line

No.

1	<u>Adjust Purchased Power to Reflect New and Reconfigured Treatment Facilities</u>		
2			
3	The Section 14 WWTP and the Del Oro WWTPs were expanded during the test year. In addition,		
4	the Palm Shadows WWTP was removed from service with flows redirected to Section 14. The expanded		
5	Section 14 WWTP and Del Oro WWTP's and the redirected flows from Palm Shadows cause an increase in costs		
6	which is known and measureable and should be included in the Company's expenses.		
7	<u>Del Oro WWTP</u>		
8	Test Year Purchased Power	\$	69,246
9	Purchased Power for 5-month period 12/30/2011 - 6/4/2012	36,235	
10	Annualized Cost of Purchased Power	divide by (5/12)	86,965
11			
12	Increase/(Decrease) in Purchased Power	\$	<u>17,719</u>
13			
14	<u>Section 14 & Palm Shadows</u>		
15	Test Year Purchased Power	\$	102,835
16	Purchased Power for 5-month period 12/30/2011 - 6/4/2012	58,013	
17	Annualized Cost of Purchased Power	divide by (5/12)	139,232
18			
19	Increase/(Decrease) in Purchased Power	\$	<u>36,397</u>
20			
21	Total Increase/(Decrease) in Purchased Power	\$	<u><u>54,116</u></u>
22			
26			
27	<u>Workpaper</u>		
28	FW Rate Case Data.xlsx - Power		
29			

Line

No.

1	<u>Annualize Salaries and Wages</u>	
2		
3	Salaries and wages are annualized based on current staffing levels, current salary levels and estimated 2012 hours.	
4		
5	<u>Officers and Directors</u>	
6	Test Year Salaries and Wages	\$ 137,000
7	Annualized Salaries and Wages	137,000
8		
9	Increase (Decrease) in Salaries and Wages	<u>\$ (0)</u>
10		
11	<u>Employee Salaries and Wages</u>	
12	Test Year Salaries and Wages	\$ 683,996
13	Annualized Salaries and Wages	802,071
14		
15	Increase (Decrease) in Salaries and Wages	<u>\$ 118,075</u>
16		
19	<u>Taxes Other Than Income</u>	
20	Test Year Payroll Taxes	\$ 74,250
21	Annualized Payroll Taxes	76,451
22		
23	Increase (Decrease) in Payroll Taxes	<u>\$ 2,201</u>
24		
25	Total Increase (Decrease)	<u>\$ 120,275</u>
26		
27	<u>Workpaper</u>	
28	FW Rate Case Data.xlsx - Payroll	
29		

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-13

Exhibit: RLI-RJ1
Schedule C-2 - Rejoinder
Page 7
Witness: Jones

Adjust Rate Case Expense

Line			
<u>No.</u>			
1	Estimated Rate Case Expense	\$	225,000
2			
3	Amortization Period (Years)		3
4			
5	Annualized Rate Case Expense	\$	<u>75,000</u>
6			
7	Test Year Rate Case Expense		-
8			
9	Increase / (Decrease) in Rate Case Expense		75,000
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Synchronize Interest Expense with Rate Base

Line No.			
1	Adjusted Rate Base	\$ 20,556,719	Sch. B-1
2			
3	Weighted Cost of Long-Term Debt	4.900%	Sch. D-1
4	Weighted Cost of Short-Term Debt	0.400%	Sch. D-1
5			
6	Synchronized Long-Term Interest	\$ 1,007,279	
7	Synchronized Short-Term Interest	<u>82,227</u>	
8	Synchronized Interest Expense	1,089,506	
9			
10	Test Year Interest Expense	1,523,207	
11			
12	Increase / (Decrease) In Interest Expense	(433,701)	
13			
14			
15			
16			
17			

Adjust Depreciation Expense to Reflect Adjusted Plant Balances

Line	No.	Acct Description	Adjusted Test Year Balance 12/31/2011	Rebuttal Adjustments	Adjusted Test Year Balance 12/31/2011	Proposed Depreciation Rate	Depreciation Expense
1							
2		351 Organization Cost	\$ -	\$ -	\$ -	0.00%	\$ -
3		352 Franchise Cost	3,076	-	3,076	0.00%	-
4		353 Land and Land Rights	1,413,437	-	1,413,437	0.00%	-
5		354 Structures & Improvements	2,477,482	(247,436)	2,230,046	3.33%	74,261
6		355 Power Generating Equipment	68,993	(5,197)	63,796	5.00%	3,190
7		360 Collection Sewers - Force	3,504,328	(239,078)	3,265,250	2.00%	65,305
8		361 Collection Sewers - Gravity	8,727,577	(622,519)	8,105,058	2.00%	162,101
9		362 Special Collecting Structures	-	-	-	2.00%	-
10		363 Seives to Customers	173,621	-	173,621	2.00%	3,472
11		364 Flow Measuring Devices	32,468	-	32,468	10.00%	3,247
12		365 Flow Measuring Installations	16,683	-	16,683	10.00%	1,668
13		366 Reuse Services	-	-	-	2.00%	-
14		367 Reuse Meters and Meter Installations	2,310	(168)	2,142	8.33%	178
15		370 Receiving Wells	74,227	(10,154)	64,073	3.33%	2,134
16		371 Pumping Equipment	1,395,638	(85,993)	1,309,645	12.50%	163,706
17		374 Reuse Distribution Reserviors	-	-	-	2.50%	-
18		375 Reuse Transmission and Dist. Sys.	-	-	-	2.50%	-
19		380 Treatment and Disposal Equipment	17,685,412	(1,485,333)	16,200,079	5.00%	810,004
20		381 Plant Sewers	623,671	(80,467)	543,204	5.00%	27,160
21		382 Outfall Sewer Lines	1,805	(247)	1,558	3.33%	52
22		389 Other Plant and Misc. Equipment	394,141	(35,447)	358,694	6.67%	23,925
23		390 Office Furniture & Equipment	254,572	(620)	253,952	6.67%	16,939
24		390 Computers & Software	11,356	-	11,356	20.00%	2,271
25		391 Transportation Equipment	271,810	-	271,810	20.00%	54,362
26		392 Stores Equipment	-	-	-	4.00%	-
27		393 Tools, Shop & Garage Equipment	27,069	-	27,069	5.00%	1,353
28		394 Laboratory Equipment	17,418	-	17,418	10.00%	1,742
29		395 Power Operated Equipment	181,667	-	181,667	5.00%	9,083
30		396 Communications Equipment	17,191	(240)	16,951	10.00%	1,695
31		397 Miscellaneous Equipment	136,351	-	136,351	10.00%	13,635
32		398 Other Tangible Plant	238,828	-	238,828	10.00%	23,883
33							
34							
35		TOTALS	\$ 37,751,132	\$ (2,812,899)	\$ 34,938,233		\$ 1,465,366
36							
37		Less: Amortization of CIAC	\$ 1,726,854		1,726,854	4.9648%	\$ 85,734
38							
39		Adjusted Test Year Depreciation Expense					\$ 1,379,632
40							
41		Test Year Depreciation Expense					\$ 1,165,350
42							
43		Increase / (Decrease) in Depreciation Expense					\$ 214,282
44							

Adjust Property Tax Expense to Reflect Adjusted Test Year and Proposed Revenues

Line No.	Description	Company As Adjusted	Company Proposed
1	Adjusted Test Year Revenue	\$ 2,231,115	\$ 2,231,115
2	Adjusted Test Year Revenue	2,231,115	2,231,115
3	Adjusted Test Year Revenue	2,231,115	
4	Proposed Revenues after Increase		5,716,697
5	Average of three year's of revenue	2,231,115	3,392,976
6	Average of three year's of revenue, times 2	4,462,230	6,785,952
7	Add:		
8	Construction Work In Progress at 10%	243,735	243,735
9	Deduct:		
10	Net Book Value of Transportation Equipment	77,783	77,783
11			
12	Full Cash Value	4,628,183	6,951,904
13	Assessment Ratio	20.0%	20.0%
14	Assessed Value	925,637	1,390,381
15	Property Tax Rate (Test Year)	10.3559%	10.3559%
16			
17	Adjusted Test Year Property Tax	\$ 95,858	
18	Recorded Test Year Property Tax	122,350	
19	Test Year Adjustment	\$ (26,493)	
20			
21	Property Tax a Proposed Rates		\$ 143,986
22	Adjusted Test Year Property Tax		95,858
23	Increase in Property Tax due to Rate Increase		\$ 48,128
24			
25	Increase to Property Tax Expense		\$ 48,128
26	Increase in Revenue Requirement		\$ 3,485,582
27	Property Tax Factor (L25 / L26)		1.3808%
28			
29			

Adjust Income Tax Expense to Reflect Adjusted Test Year and Proposed Revenues

Line		Adjusted	Proposed
<u>No.</u>	<u>Description</u>	<u>Test Year</u>	<u>with Increase</u>
1			
2	<u>Calculation of Income Tax:</u>		
3	Revenue	\$ 2,231,115	\$ 5,716,697
4	Less: Operating Expenses (Excluding Income Taxes)	3,855,624	3,924,124
5	Less: Synchronized Interest	<u>1,089,506</u>	<u>1,089,506</u>
6	Arizona Taxable Income	\$ (2,714,016)	\$ 703,067
7	Arizona State Income Tax Rate	6.9680%	6.9680%
8	Arizona Income Tax	<u>\$ (189,113)</u>	<u>\$ 48,990</u>
9	Federal Taxable Income	\$ (2,524,903)	\$ 654,077
10			
11	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ (7,500)	\$ 7,500
12	Federal Tax on Second Income Bracket (\$50,001 - 75,000) @ 25%	(6,250)	6,250
13	Federal Tax on Third Income Bracket (\$75,001 - 100,000) @ 34%	(8,500)	8,500
14	Federal Tax on Fourth Income Bracket (\$100,001 - 335,000) @ 39%	(91,650)	91,650
15	Federal Tax on Fifth Income Bracket (\$335,001 - 10,000,000) @ 34%	<u>(744,567)</u>	<u>108,486</u>
16	Total Federal Income Tax	<u>\$ (858,467)</u>	<u>\$ 222,386</u>
17			
18	Combined Federal and State Income Tax	<u>\$ (1,047,580)</u>	<u>\$ 271,376</u>
19			
20	Applicable Arizona State Income Tax Rate (Rate Applicable to Revenue Increase)		6.9680%
21	Applicable Federal Income Tax Rate (Rate Applicable to Revenue Increase)		34.0000%
22			
23	<u>Calculation of Interest Synchronization</u>		
24	Rate Base	\$ 20,556,719	
25	Weighted Average Cost of Debt	<u>5.300%</u>	
26	Synchronized Interest	\$ 1,089,506	
27			
28	<u>Income Tax Adjustments</u>		
29	Test Year Income Taxes - Booked	<u>\$ (492,891)</u>	
30	Increase / (decrease) in Income Taxes (L24 - L35)	<u>(554,689)</u>	
31			
32	Test Year Income Taxes - Adjusted		<u>\$ (1,047,580)</u>
33	Increase / (decrease) in Federal Income Taxes (L24 - L38)		<u>1,318,956</u>
34			
35			

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Computation of Gross Revenue Conversion Factor

Exhibit: RLJ-RJ1
 Schedule C-3 - Rejoinder
 Page 1
 Witness: Jones

Line

No. Calculation of Gross Revenue Conversion Factor

1	Revenue	100.0000%
2	Uncollectable Factor (Line 11)	0.3589%
3	Revenue (L1 - L2)	99.6411%
4	Combined Income Tax and Property Tax Rate (Line 23)	39.4467%
5	Operating Income Percentage (L3 - L4)	60.1944%
6	Gross Revenue Conversion Factor (L1 / L5)	1.661283

Calculation of Uncollectable Factor

7	Unity	100.0000%
8	Combined Federal and State Tax Rate (Line 17)	38.5989%
9	One Minus Combined Federal and State Tax Rate (L7 - L8)	61.4011%
10	Uncollectable Rate (Line 26)	0.5844%
11	Uncollectable Factor (L9 * L10)	0.3589%

Calculation of Effective Tax Rate

12	Operating Income Before Taxes	100.0000%
13	Applicable Arizona State Tax Rate (from Schedule C-2)	6.9680%
14	Federal Taxable Income (L12 - L13)	93.0320%
15	Applicable Federal Tax Rate (from Schedule C-2)	34.0000%
16	Effective Federal Tax Rate (L14 * L15)	31.6309%
17	Combined Federal and State Tax Rate (L13 + L16)	38.5989%

Calculation of Effective Property Tax Rate

18	Unity	100.0000%
19	Combined Federal and State Tax Rate (Line 17)	38.5989%
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%
21	Property Tax Factor (from Schedule C-2)	1.3808%
22	Effective Property Tax Factor (L20 * L21)	0.8478%

23	Combined Federal and State Income Tax Rate and Property Tax Rate (L17 + L22)	39.4467%
----	--	----------

Calculation of Uncollectable Rate

24	Bad Debt Expense (from Schedule C-1)	\$ 13,040
25	Total Revenues (from Schedule C-1)	2,231,115
26	Uncollectable Rate (L24 / L25)	0.5844%
27	Revenue Increase (from Schedule C-1)	\$ 3,485,582
28	Uncollectable Rate (Line 26)	0.5844%
29	Bad Debt Expense due to Increase	\$ 20,371

30 Supporting Schedules:

Recap Schedules:

31

A-1

Line No.	Invested Capital	End of Test Year (Adjusted)			End of Projected Year (Current Rates)			End of Projected Year (Proposed Rates)			
		Amount	Percent of Total	Weighted Cost Rate ¹	Amount	Percent of Total	Weighted Cost Rate	Amount	Percent of Total	Weighted Cost Rate	
1											
2	Long-Term Debt	\$ 25,977,448	74.23%	6.66%	\$ 25,597,448	78.91%	6.66%	\$ 25,597,448	74.12%	6.66%	
3											
4	Short-Term Debt	1,732,342	4.95%	7.51%	1,145,715	3.53%	10.00%	1,145,715	3.32%	10.00%	
5											
6	Adjusted Common Equity	\$ 7,285,912	20.82%	10.00%	\$ 5,693,691	17.55%	10.00%	\$ 7,791,818	22.56%	10.00%	
7											
8	Totals	\$ 34,995,702	100.00%		\$ 32,436,854	100.00%		\$ 34,534,981	100.00%		
9										7.5%	
10											
11											
12	¹ Cost of Long-Term Debt Per Projected Year (10% cost of debt for Zenon Loan)										
13	<u>Equity Adjustments</u>										
14	Common Equity per Sch. E-1	\$ 7,565,963	(Consolidated Basis)								
15	PIS Equity Adjustments	\$ (1,064,330)									
16	A/D Equity Adjustments	464,468									
17	AIAC Equity Adjustment	-									
18	CIAC Equity Adjustment	713,313									
19	AA CIAC Equity Adjustment	(393,502)									
20											
21	Adjusted Common Equity	\$ 7,285,912									
22											

Recap Schedules:
 A-3

Supporting Schedules:
 D-2 D-3
 D-4 E-1

Line
No.

	End of Test Year			End of Projected Year			
	Amount Outstanding	Annual Interest	Interest Rate	Amount Outstanding	Annual Interest	Interest Rate	
1							
2							
3							
4	<u>Long-Term Debt</u>						
5	\$ 2,695,000	\$ 175,175	6.50%	\$ 2,315,000	\$ 175,175	6.500%	
6	21,340,000	\$ 1,360,425	6.38%	21,340,000	1,360,425	6.375%	
7	1,942,448	\$ 194,245	10.00% ¹	-	\$ 57,626	10.000%	
8				1,942,448	\$ 145,684	10.000%	
9							
10	<u>\$ 25,977,448</u>	<u>\$ 1,729,845</u>	<u>6.66%</u>	<u>\$ 25,597,448</u>	<u>\$ 1,738,910</u>	<u>6.66%</u>	
11							
12							
13	<u>Short-Term Debt</u>						
14	\$ 75,000	-	0.00%	\$ -			
15	175,000	\$ 12,950	7.40% ²	-			
16	301,248	-	0.00%	-			
17	36,837	\$ 2,719	7.40% ²	1,458	2,121	12.00%	
18	1,144,257	\$ 114,426	10.00%	1,144,257	114,426	10.00%	
19							
20	<u>\$ 1,732,342</u>	<u>\$ 130,095</u>	<u>7.51%</u>	<u>\$ 1,145,715</u>	<u>\$ 116,547</u>	<u>10.0%</u>	
21							
22							
23	<u>\$ 27,709,790</u>	<u>\$ 1,859,939</u>	<u>6.71%</u>	<u>\$ 26,743,163</u>	<u>\$ 1,855,457</u>	<u>6.80%</u>	
24							
25							
26	<u>IDA Debt Detail by Service</u>						
27		<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
28	Series 2007A - Term 1	\$ 2,173,211	\$ 521,789	\$ 2,695,000	\$ 1,866,784	\$ 448,216	\$ 2,315,000
29	Series 2007A - Term 2	<u>17,208,285</u>	<u>4,131,715</u>	<u>21,340,000</u>	<u>17,208,285</u>	<u>4,131,715</u>	<u>21,340,000</u>
30	Total IDA Debt 12/31/11	\$ 19,381,496	\$ 4,653,504	\$ 24,035,000	\$ 19,075,069	\$ 4,579,931	\$ 23,655,000
31							

¹ Actual Test Year Interest Rate 12.0%. Loan was refinanced in 2012 at 10.0% interest.

² Actual Test Year Interest Rate 12.0%. Staff's recommendation of 6.4% accepted.

Workpapers:

FW IDA Bond Amortization.xlsx

Supporting Schedules:

E-1

Recap Schedules:

D-1

40

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Cost of Preferred Stock

Exhibit: RLJ-RJ1
Schedule D-3 - Rejoinder
Page 1
Witness: Jones

Line
No.

- 1
- 2 Not Applicable - No preferred stock issued or outstanding
- 3
- 4 Supporting Schedules:
- 5
- 6

Recap Schedules:
D-1

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Cost of Common Equity

Exhibit: RLJ-RJ1
Schedule D-4 - Rejoinder
Page 1
Witness: Jones

Line
No.

1

2 Far West Water & Sewer, Inc., Sewer Division is proposing an 10.0% cost of common equity per its filed testimony

3

4 Supporting Schedules:

5

6

Recap Schedules:

D-1

Line No.		Test Year Ended	Prior Year Ended	Prior Year Ended
		12/31/2011	12/31/2010	12/31/2009
1	ASSETS			
2	PROPERTY PLANT AND EQUIPMENT			
3	101 Utility Plant In Service	\$ 42,605,611	\$ 22,034,826	\$ 21,181,652
4	102 Utility Plant Leased to Others	217,503	217,503	217,503
5	103 Property Held for Future Use	-	-	-
6	105 Construction Work in Progress	2,437,351	20,903,929	18,735,388
7	108 Less: Accumulated Depreciation	(6,870,429)	(5,585,686)	(4,812,516)
8	108.2 Less: Accumulated Depreciation - Leased Plant	(10,740)	(3,580)	-
9	Net Plant	<u>\$ 38,379,295</u>	<u>\$ 37,566,992</u>	<u>\$ 35,322,026</u>
10				
11	CURRENT ASSETS			
12	131 Cash and Equivalents	\$ 1,794	\$ (50,289)	\$ (209)
13	132 Special Deposits	1,548,498	1,415,528	1,543,963
14	141 Customer Accounts Receivable	436,789	375,018	324,365
15	142 Other Accounts Receivable	4,000	4,600	4,000
16	143 Accumulated Provision for Uncollectable Accounts	(33,490)	-	-
17	146 Notes/Receivables from Associated Companies	401,960	371,514	296,808
18	151 Plant Materials and Supplies	18,440	17,880	17,200
19	162 Prepayments	13,641	10,193	26,679
20	174 Miscellaneous Current and Accrued Assets	-	-	10,638
21	Total Current Assets	<u>\$ 2,391,631</u>	<u>\$ 2,144,444</u>	<u>\$ 2,223,444</u>
22				
23	DEFERRED DEBITS			
24	181 Unamortized Debt Discount and Expense	\$ 836,551	\$ 868,726	\$ 900,901
25	186 Deferred Debits	634,238	651,656	683,191
26	190 Accumulated Deferred Income Tax	1,807,463	864,697	356,000
27	Total Deferred Debits	<u>\$ 3,278,252</u>	<u>\$ 2,385,079</u>	<u>\$ 1,940,092</u>
28				
29	TOTAL ASSETS	<u>\$ 44,049,178</u>	<u>\$ 42,096,515</u>	<u>\$ 39,485,562</u>
30	LIABILITIES AND STOCKHOLDERS' EQUITY			
31	CAPITAL ACCOUNTS			
32	201 Common Stock Issued	\$ -	\$ -	\$ -
33	211 Paid in Capital	2,343,264	2,343,264	2,343,264
34	211.1 Capital from Water Division	17,889,015	14,855,775	11,637,268
35	215 Retained Earnings	(14,096,145)	(12,557,947)	(11,727,968)
36	Total Capital	<u>\$ 6,136,135</u>	<u>\$ 4,641,091</u>	<u>\$ 2,252,564</u>
37				
38	LONG-TERM DEBT			
39	221 Bonds	19,381,496	19,671,800	19,941,944
40	223 Advances from Associated Companies	-	-	-
41	224 Other Long-Term Debt	1,942,448	2,242,478	-
42	Total long-Term Debt	<u>\$ 21,323,943</u>	<u>\$ 21,914,277</u>	<u>\$ 19,941,944</u>
43				
44	CURRENT LIABILITIES			
45	231 Accounts Payable	\$ 1,004,027	\$ 1,698,596	\$ 3,823,192
46	232 Notes Payable	588,085	-	-
47	233 Accounts Payable to Associated Companies	9,028	(45,442)	(8,015)
48	234 Payable to Associated Companies	1,144,257	-	-
49	235 Customer Deposits	26,359	12,087	23,795
50	236 Accrued Taxes	-	-	-
51	237 Accrued Interest	178,447	141,159	118,766
52	241 Miscellaneous Current Liabilities	407,868	275,155	180,454
53	Total Current Liabilities	<u>\$ 3,358,071</u>	<u>\$ 2,081,555</u>	<u>\$ 4,138,192</u>
54				
55	DEFERRED CREDITS			
56	251 Unamortized Premium on Debt	\$ 85,413	\$ 88,698	\$ 91,984
57	252 Advances in Aid of Construction	10,814,970	10,869,772	10,404,544
58	253 Other Deferred Credits	\$ 1,193,404	\$ 1,246,165	\$ 1,283,665
59	271 Contributions in Aid of Construction	2,440,167	2,440,167	2,440,167
60	272 Accumulated Amortization CIAC	(1,302,925)	(1,185,212)	(1,067,499)
61	281 Accumulated Deferred Income Tax	-	-	-
62	Total Deferred Credits	<u>\$ 13,231,029</u>	<u>\$ 13,459,591</u>	<u>\$ 13,152,862</u>
63				
64	Total Liabilities & Common Equity	<u>\$ 44,049,178</u>	<u>\$ 42,096,515</u>	<u>\$ 39,485,562</u>
65				
66	<u>Supporting Schedules:</u>			<u>Recap Schedules:</u>
67	E-5			A-3

Far West Water & Sewer, Inc., Water Division
 Test Year Ended December 31, 2011
 Comparative Balance Sheet

Exhibit: RLJ-RJ1
 Schedule E-1 - Rejoinder
 Page 2
 Witness: Jones

Line No.	Test Year Ended	Prior Year Ended	Prior Year Ended	
	12/31/2011	12/31/2010	12/31/2009	
1	ASSETS			
2	PROPERTY PLANT AND EQUIPMENT			
3	101 Utility Plant in Service	\$ 31,480,517	\$ 31,010,947	\$ 29,941,953
4	102 Utility Plant Leased to Others	217,503	217,503	217,503
5	103 Property Held for Future Use	-	-	-
6	105 Construction Work in Progress	1,147,584	1,248,691	1,636,400
7	108 Less: Accumulated Depreciation	(13,749,565)	(12,765,995)	(11,772,704)
8	108.2 Less: Accumulated Depreciation - Leased Plant	(10,740)	(3,580)	-
9	Net Plant	\$ 19,085,298	\$ 19,707,566	\$ 20,023,152
10				
11	CURRENT ASSETS			
12	131 Cash and Equivalents	\$ 5,841	\$ (88,844)	\$ 55,040
13	132 Special Deposits	371,762	339,839	370,674
14	141 Customer Accounts Receivable	630,894	625,173	631,736
15	142 Other Accounts Receivable	-	500	1,050
16	143 Accumulated Provision for Uncollectable Accounts	(57,973)	-	-
17	146 Notes/Receivables from Associated Companies	126,336	197,642	149,446
18	151 Plant Materials and Supplies	79,130	78,292	74,719
19	162 Prepayments	56,890	55,618	53,555
21	174 Miscellaneous Current and Accrued Assets	-	-	-
22	Total Current Assets	\$ 1,212,879	\$ 1,208,220	\$ 1,336,220
23				
24	DEFERRED DEBITS			
25	181 Unamortized Debt Discount and Expense	\$ 184,025	\$ 191,102	\$ 198,180
26	186 Deferred Debits	61,722	64,096	66,470
27	190 Accumulated Deferred Income Tax	(1,216,910)	(617,281)	-
28	Total Deferred Debits	\$ (971,164)	\$ (362,083)	\$ 264,650
29				
30	TOTAL ASSETS	\$ 19,327,013	\$ 20,553,704	\$ 21,624,022
31				
32	LIABILITIES AND STOCKHOLDERS' EQUITY			
33	CAPITAL ACCOUNTS			
34	201 Common Stock Issued	\$ 900,000	\$ 900,000	\$ 900,000
35	211 Paid in Capital	7,087,369	7,087,369	7,087,369
36	211.1 Capital from Water Division	(17,889,015)	(14,855,775)	(11,637,268)
37	215 Retained Earnings	11,331,474	10,353,132	9,345,989
38	Total Capital	\$ 1,429,828	\$ 3,484,726	\$ 5,696,089
39				
40	LONG-TERM DEBT			
41	221 Bonds	4,653,504	4,723,200	4,788,056
42	223 Advances from Associated Companies	-	-	-
43	224 Other Long-Term Debt	765,987	453,351	-
44	Total long-Term Debt	\$ 5,419,492	\$ 5,176,552	\$ 4,788,056
45				
46	CURRENT LIABILITIES			
47	231 Accounts Payable	\$ 558,626	\$ 603,234	\$ 881,372
48	232 Notes Payable	36,837	-	-
49	233 Accounts Payable to Associated Companies	79,713	40,938	10,038
50	234 Payable to Associated Companies	22,000	-	-
51	235 Customer Deposits	48,500	69,777	55,270
52	236 Accrued Taxes	-	-	-
53	237 Accrued Interest	237,116	133,473	63,626
54	241 Miscellaneous Current Liabilities	1,218,378	825,785	532,252
55	Total Current Liabilities	\$ 2,201,170	\$ 1,673,207	\$ 1,542,558
56				
57	DEFERRED CREDITS			
58	251 Unamortized Premium on Debt	\$ 20,611	\$ 21,404	\$ 22,196
59	252 Advances in Aid of Construction	5,200,253	5,973,861	5,419,197
60	253 Other Deferred Credits	12,500	37,500	75,000
61	271 Contributions in Aid of Construction	7,284,567	6,285,022	6,064,711
62	272 Accumulated Amortization CIAC	(2,241,407)	(2,098,567)	(1,983,787)
63	281 Accumulated Deferred Income Tax	-	-	-
64	Total Deferred Credits	\$ 10,276,524	\$ 10,219,219	\$ 9,597,318
65				
66	Total Liabilities & Common Equity	\$ 19,327,013	\$ 20,553,704	\$ 21,624,022
67				

Line No.	Test Year Ended 12/31/2011	Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2009
1	ASSETS		
2	PROPERTY PLANT AND EQUIPMENT		
3	\$ 74,086,128	\$ 53,045,773	\$ 51,123,605
4	101 Utility Plant In Service	435,005	435,005
5	102 Utility Plant Leased to Others	-	-
6	103 Property Held for Future Use	3,584,935	22,152,620
7	105 Construction Work in Progress	(20,619,994)	(18,351,681)
8	108 Less: Accumulated Depreciation	(21,480)	(7,160)
9	108.2 Less: Accumulated Depreciation - Leased Plant	-	-
10	Net Plant	\$ 57,464,593	\$ 55,345,178
11	CURRENT ASSETS		
12	\$ 7,634	\$ (139,132)	\$ 54,831
13	131 Cash and Equivalents	1,920,260	1,914,636
14	132 Special Deposits	1,067,682	956,101
15	141 Customer Accounts Receivable	4,000	5,050
16	142 Other Accounts Receivable	(91,462)	-
17	143 Accumulated Provision for Uncollectable Accounts	528,296	446,254
18	146 Notes/Receivables from Associated Companies	97,570	91,919
19	151 Plant Materials and Supplies	70,531	80,234
20	162 Prepayments	-	10,638
21	174 Miscellaneous Current and Accrued Assets	-	-
22	Total Current Assets	\$ 3,604,510	\$ 3,559,663
23	DEFERRED DEBITS		
24	\$ 1,020,575	\$ 1,059,829	\$ 1,099,082
25	181 Unamortized Debt Discount and Expense	695,960	749,661
26	186 Deferred Debits	590,552	356,000
27	190 Accumulated Deferred Income Tax	247,416	-
28	Total Deferred Debits	\$ 2,307,088	\$ 2,204,742
29	TOTAL ASSETS		
30	\$ 63,376,191	\$ 62,650,218	\$ 61,109,584
31	LIABILITIES AND STOCKHOLDERS' EQUITY		
32	CAPITAL ACCOUNTS		
33	\$ 900,000	\$ 900,000	\$ 900,000
34	201 Common Stock Issued	9,430,633	9,430,633
35	211 Paid in Capital	(2,764,670)	(2,381,979)
36	215 Retained Earnings	-	-
37	Total Capital	\$ 7,565,963	\$ 7,948,653
38	LONG-TERM DEBT		
39	24,035,000	24,395,000	24,730,000
40	221 Bonds	-	-
41	223 Advances from Associated Companies	2,708,435	2,695,829
42	224 Other Long-Term Debt	-	-
43	Total long-Term Debt	\$ 26,743,435	\$ 24,730,000
44	CURRENT LIABILITIES		
45	\$ 1,562,653	\$ 2,301,830	\$ 4,704,564
46	231 Accounts Payable	624,923	-
47	232 Notes Payable	88,741	2,024
48	233 Accounts Payable to Associated Companies	1,166,257	-
49	234 Payable to Associated Companies	74,859	79,065
50	235 Customer Deposits	-	-
51	236 Accrued Taxes	415,563	182,393
52	237 Accrued Interest	1,626,246	712,706
53	241 Miscellaneous Current Liabilities	-	-
54	Total Current Liabilities	\$ 5,559,241	\$ 5,680,751
55	DEFERRED CREDITS		
56	\$ 106,024	\$ 110,102	\$ 114,180
57	251 Unamortized Premium on Debt	16,015,223	15,823,742
58	252 Advances in Aid of Construction	1,205,904	1,358,665
59	253 Other Deferred Credits	9,724,735	8,504,878
60	271 Contributions in Aid of Construction	(3,544,332)	(3,051,286)
61	272 Accumulated Amortization CIAC	-	-
62	281 Accumulated Deferred Income Tax	-	-
63	Total Deferred Credits	\$ 23,507,553	\$ 22,750,179
64	Total Liabilities & Common Equity		
65	\$ 63,376,191	\$ 62,650,218	\$ 61,109,584
66			

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Comparative Income Statements

Exhibit: RLJ-RJ1
 Schedule E-2 - Rejoinder
 Page 1
 Witness: Jones

Line No.		Test Year Ended 12/31/2011	Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2009
1	Revenues			
2	413 Income Utility Plant Leased to Others	\$ 3,612	\$ 8,383	\$ -
3	521 Flat Rate Revenue	2,061,278	2,030,528	1,846,892
4	536 Other Sewer Revenues	43,064	67,480	180,670
5	541 Metered Reuse Revenue	131,759	103,241	104,537
6	Total Revenues	\$ 2,239,713	\$ 2,209,632	\$ 2,132,099
7	Operating Expenses			
8	701 Salaries and Wages	\$ 683,996	\$ 472,735	\$ 404,740
9	703 Salaries and Wages - Officers and Directors	137,000	104,500	74,769
10	704 Employee Pension and Benefits	27,421	31,352	33,334
11	710 Purchased Sewer Treatment	-	-	-
12	711 Sludge Removal Expense	55,247	83,830	102,450
13	715 Purchased Power	288,248	251,261	257,010
14	718 Chemicals	219,910	215,788	199,086
15	720 Repairs and Maintenance	181,981	100,337	122,341
16	731 Contractual Services - Engineering	-	-	-
17	732 Contractual Services - Accounting	7,230	105,840	289
18	733 Contractual Services - Legal	43,865	60,038	342,907
19	734 Contractual Services - Management Fees	-	-	-
20	735 Contractual Services - Testing	147,025	109,806	104,008
21	736 Contractual Services - Other	60,716	39,114	12,160
22	741 Rent - Buildings	20,669	20,311	19,292
23	742 Rent - Equipment	45,758	195,574	96,621
24	750 Transportation Expense	129,723	77,407	60,404
25	756 Insurance - Vehicle	12,610	10,767	9,155
26	757 Insurance - General Liability	33,142	39,173	24,445
27	758 Insurance - Workman's Compensation	17,125	13,722	13,726
28	759 Insurance - Other	-	-	9,000
29	760 Advertising Expense	476	284	25
30	766 Regulatory Commission Expense - Rate Case	-	20,405	122,430
31	767 Regulatory Expense - Other	-	-	-
33	770 Bad Debt Expense	33,490	-	5,630
34	775 Miscellaneous Expense	30,503	16,741	18,181
35	403 Depreciation Expense	1,165,350	655,457	625,330
36	408 Taxes Other Than Income	74,250	65,731	49,975
37	408.11 Property Taxes	122,350	92,177	79,555
38	409 Income Tax	(492,891)	-	-
39	Total Operating Expenses	\$ 3,045,196	\$ 2,782,352	\$ 2,786,863
40	Operating Income	\$ (805,483)	\$ (572,720)	\$ (654,764)
41	Other Income (Expense)			
42	409.20 Income Tax - Other Income and Deductions	\$ 449,875	\$ 508,697	\$ 41,000
43	415 Revenue from Jobbing, Contract Work	26,176	57,684	-
44	416 Expenses from Jobbing, Contract Work	(26,176)	(57,684)	-
45	419 Interest and Dividend Income	246	393	2,201
46	420 AFUDC	748,855	933,278	858,409
47	421 Non-Utility Income	-	29,911	551
48	426 Miscellaneous Non-Utility Expenses	(33,219)	(1,234)	(75,006)
49	427 Interest Expense	(1,523,207)	(1,299,287)	(1,330,155)
50	428 Amortization of Debt Discount and Expense	(49,593)	(49,593)	(49,593)
51	429 Amortization of Premium on Debt	3,285	3,285	3,285
52	434 Extraordinary Deductions	(328,956)	(382,710)	(505,970)
53	Total Other Income (Expense)	\$ (732,714)	\$ (257,259)	\$ (1,055,279)
54	Net Income (Loss)	\$ (1,538,197)	\$ (829,979)	\$ (1,710,043)

Supporting Schedules:

Recap Schedules:

A-2

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Far West Water & Sewer, Inc., Water Division
 Test Year Ended December 31, 2011
 Comparative Income Statements

Exhibit: RLJ-RJ1
 Schedule E-2 - Rejoinder
 Page 2
 Witness: Jones

Line No.		Test Year Ended <u>12/31/2011</u>	Prior Year Ended <u>12/31/2010</u>	Prior Year Ended <u>12/31/2009</u>
Revenues				
2	413 Income Utility Plant Leased to Others	\$ 3,612	\$ 8,383	\$ -
3	461 Metered Water Revenue	5,533,564	5,496,205	5,549,277
4	471 Miscellaneous Service Revenues	180,755	136,947	139,318
5	474 Other Water Revenues	18,390	3,827	227
6	Total Revenues	\$ 5,736,321	\$ 5,645,361	\$ 5,688,822
Operating Expenses				
8	601 Salaries and Wages	\$ 779,073	\$ 744,001	\$ 695,855
9	603 Salaries and Wages - Officers and Directors	137,000	104,500	74,769
10	604 Employee Pension and Benefits	38,354	44,248	32,816
11	610 Purchased Water	504,953	530,880	672,225
12	615 Purchased Power	417,557	373,540	435,827
13	618 Chemicals	171,859	154,481	146,810
14	620 Repairs and Maintenance	151,953	110,175	172,796
15	621 Office Supplies Expense	-	-	-
16	631 Contractual Services - Engineering	-	-	-
17	632 Contractual Services - Accounting	11,884	29,011	578
18	633 Contractual Services - Legal	3,330	8,012	185
19	634 Contractual Services - Management Fees	-	-	-
20	635 Contractual Services - Testing	27,822	30,516	54,394
21	636 Contractual Services - Other	27,517	45,644	19,145
22	641 Rent - Buildings	46,595	45,998	40,333
23	642 Rent - Equipment	9,629	22,040	2,087
24	650 Transportation Expense	89,523	68,459	53,061
25	656 Insurance - Vehicle	9,264	10,179	8,320
26	657 Insurance - General Liability	26,403	23,929	21,750
27	658 Insurance - Workman's Compensation	11,664	9,860	21,734
28	659 Insurance - Other	-	-	-
29	660 Advertising Expense	8,409	8,184	7,710
30	666 Regulatory Commission Expense - Rate Case	-	-	-
31	667 Regulatory Expense - Other	-	-	-
32	668 Water Resource Conservation Expense	-	-	-
33	670 Bad Debt Expense	57,973	-	16,538
34	675 Miscellaneous Expense	40,389	33,807	19,553
35	403 Depreciation Expense	857,449	889,617	846,294
36	408 Taxes Other Than Income	87,071	97,328	79,514
37	408.11 Property Taxes	239,106	203,310	218,933
38	409 Income Tax	754,044	-	-
39	Total Operating Expenses	\$ 4,508,819	\$ 3,587,719	\$ 3,641,227
40	Operating Income	\$ 1,227,502	\$ 2,057,642	\$ 2,047,595
Other Income (Expense)				
42	409 Income Tax - Other Income and Deductions	\$ 154,415	\$ (617,371)	\$ -
43	415 Revenue from Jobbing, Contract Work	26,176	72,820	-
44	416 Expenses from Jobbing, Contract Work	(26,176)	(70,792)	-
45	419 Interest and Dividend Income	248	689	5,491
46	420 AFUDC	55,096	75,491	90,603
47	421 Non-Utility Income	107	-	11,344
48	426 Miscellaneous Non-Utility Expenses	(26,935)	(4,047)	(75,985)
49	427 Interest Expense	(429,371)	(397,166)	(375,626)
50	428 Amortization of Debt Discount and Expense	(9,452)	(9,452)	(9,452)
51	429 Amortization of Premium on Debt	793	793	793
52	434 Extraordinary Deductions	5,939	(101,463)	(198,428)
53	Total Other Income (Expense)	\$ (249,160)	\$ (1,050,499)	\$ (551,260)
54	Net Income (Loss)	\$ 978,342	\$ 1,007,143	\$ 1,496,336

55

Far West Water & Sewer, Inc.
 Test Year Ended December 31, 2011
 Comparative Income Statements

Exhibit: RLJ-RJ1
 Schedule E-2 - Rejoinder
 Page 3
 Witness: Jones

Line No.		Test Year Ended <u>12/31/2011</u>	Prior Year Ended <u>12/31/2010</u>	Prior Year Ended <u>12/31/2009</u>
1				
2	Operating Revenue	\$ 7,976,034	\$ 7,854,993	\$ 7,820,921
3				
4	Operating Expenses			
5	Depreciation and Amortization	\$ 2,022,799	\$ 1,545,074	\$ 1,471,624
6	Personnel Costs	1,802,844	1,501,337	1,316,283
7	Purchased Power	417,557	373,540	435,827
8	Purchased Water	504,953	530,880	672,225
9	Contract Services	329,388	427,980	533,666
10	Chemicals	391,769	370,269	345,896
11	Property Taxes	361,456	295,487	298,489
12	Other Operating Expenses	1,462,095	1,325,504	1,354,079
13				
14	Total Operating Expenses	\$ 7,292,861	\$ 6,370,071	\$ 6,428,090
15				
16	Net Operating Income	\$ 683,173	\$ 1,484,922	\$ 1,392,831
17				
18	Other Income (Expense)			
19	Contract Work	\$ -	\$ 2,028	\$ -
20	Interest and Other Income	601	30,993	19,587
21	Interest Expense	(1,148,627)	(687,684)	(756,769)
22	Amort of Debt Premium	4,078	4,078	4,078
23	Amort of Debt Issuance Costs	(59,045)	(59,045)	(59,045)
24	Non-Utility Expense	(60,154)	(5,281)	(150,991)
25	Extraordinary Deductions	(323,017)	(484,173)	(704,398)
26				
27	Total Other Income (Expense)	\$ (1,586,164)	\$ (1,199,084)	\$ (1,647,539)
28				
29	Net Income Before Income Tax	\$ (902,991)	\$ 285,838	\$ (254,708)
30				
31	Income Tax Benefit (Expense)	\$ 343,137	\$ (108,674)	\$ 41,000
32				
33	Net Income	\$ (559,855)	\$ 177,164	\$ (213,708)
34				

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Comparative Statement of Changes in Financial Position

Exhibit: RLJ-RJ1
 Schedule E-3 - Rejoinder
 Page 1
 Witness: Jones

Line No.	Test Year Ended	Prior Year Ended	Prior Year Ended
	12/31/2011	12/31/2010	12/31/2009
1	<u>Source of Funds</u>		
2	Cash Flow from Operations:		
3	\$ (1,538,197)	\$ (829,979)	\$ (1,710,043)
4	Adjustments to reconcile net income to net cash		
5	1,172,510	659,037	625,330
6	-	-	-
7	Changes in Assets & Liabilities		
8	(27,681)	(51,253)	(41,357)
9	(30,446)	(74,705)	(104,537)
10	(560)	(680)	(17,200)
11	(3,448)	16,486	10,371
12	-	10,638	(10,638)
13	(132,970)	128,435	10,918
14	(893,173)	(444,986)	30,781
15	(694,569)	(2,124,596)	677,366
16	588,085	-	-
17	1,198,726	(37,427)	(8,015)
18	14,271	(11,708)	3,886
19	-	-	-
20	37,289	22,392	11,162
21	132,713	94,701	91,490
22	(56,047)	(40,785)	71,715
23	<u>\$ (233,496)</u>	<u>\$ (2,684,431)</u>	<u>\$ (358,771)</u>
24			
25	Cash Flow from Financing:		
26	(290,304)	(270,144)	(254,016)
27	(300,030)	2,242,478	-
28	(54,802)	465,228	373,611
29	-	-	-
30	3,033,241	3,218,507	4,340,552
31	<u>\$ 2,388,104</u>	<u>\$ 5,656,068</u>	<u>\$ 4,460,147</u>
32			
33	<u>Application of Funds</u>		
34	Cash Flow from Investing Activities		
35	(2,102,526)	(3,021,716)	(4,101,586)
36	-	-	-
37	-	-	-
38	<u>\$ (2,102,526)</u>	<u>\$ (3,021,716)</u>	<u>\$ (4,101,586)</u>
39			
40	\$ 52,082	\$ (50,079)	\$ (209)
41			
42	\$ (50,289)	\$ (209)	\$ -
43	<u>\$ 1,794</u>	<u>\$ (50,289)</u>	<u>\$ (209)</u>
44			
45			
46			
47	<u>Workpapers:</u>	<u>Recap Schedules:</u>	
48		A-5	
49			

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Statement of Changes in Stockholder's Equity

Exhibit: RJ-RJ1
 Schedule E-4 - Rejoinder
 Page 1
 Witness: Jones

Line No.		Common Shares	Common Stock	Additional Paid In Capital	Retained Earnings	Total
1						
2						
3						
4	Balance, December 31, 2008		\$ -	\$ 9,639,980	\$ (11,315,379)	\$ (1,675,399)
5	Additional Paid In Capital			4,340,552	1,297,454	5,638,006
6	Dividends					-
	Adjustments/Other					-
7	Net Income				(1,710,043)	(1,710,043)
8						
9	Balance, December 31, 2009	-	\$ -	\$ 13,980,532	\$ (11,727,968)	\$ 2,252,564
10	Additional Paid In Capital			3,218,507		3,218,507
11	Dividends					-
	Adjustments/Other					-
12	Net Income				(829,979)	(829,979)
13						
14	Balance, December 31, 2010	-	\$ -	\$ 17,199,039	\$ (12,557,947)	\$ 4,641,091
15	Additional Paid In Capital			3,033,241		3,033,241
16	Dividends					-
17	Adjustments/Other					-
18	Net Income				(1,538,197)	(1,538,197)
19						
20	Balance, December 31, 2011	-	\$ -	\$ 20,232,279	\$ (14,096,145)	\$ 6,136,135
21						
22						
23	<u>Supporting Schedules:</u>				<u>Recap Schedules:</u>	
24						
25						

Line No.	Acct. No.	Plant Description	Plant Balance at 12/31/2010	Plant Additions, Reclassifications or Retirements	Plant Balance at 12/31/2011
1					
2	351	Organization Cost	\$ -	-	\$ -
3	352	Franchise Cost	3,076	-	3,076
4	353	Land and Land Rights	1,463,294	97,553	1,560,847
5	354	Structures & Improvements	470,524	2,163,098	2,633,622
6	355	Power Generating Equipment	-	68,993	68,993
7	360	Collection Sewers - Force	1,094,493	2,610,983	3,705,476
8	361	Collection Sewers - Gravity	8,646,324	102,815	8,749,140
9	362	Special Collecting Structures	-	-	-
10	363	Sevices to Customers	148,087	25,533	173,621
11	364	Flow Measuring Devices	32,468	-	32,468
12	365	Flow Measuring Installations	16,683	-	16,683
13	366	Reuse Services	-	-	-
14	367	Reuse Meters and Meter Installations	-	2,310	2,310
15	370	Receiving Wells	-	92,784	92,784
16	371	Pumping Equipment	450,957	1,045,747	1,496,705
17	374	Reuse Distribution Reservoirs	-	-	-
18	375	Reuse Transmission and Dist. Sys.	-	-	-
19	380	Treatment and Disposal Equipment	8,432,507	13,217,795	21,650,302
20	381	Plant Sewers	23,979	712,563	736,542
21	382	Outfall Sewer Lines	-	2,256	2,256
22	389	Other Plant and Misc. Equipment	94,793	323,894	418,687
23	390	Office Furniture & Equipment	220,828	36,464	257,292
24	390.1	Computers & Software	31,475	(1,448)	30,027
25	391	Transportation Equipment	241,104	30,706	271,810
26	392	Stores Equipment	-	-	-
27	393	Tools, Shop & Garage Equipment	25,282	1,787	27,069
28	394	Laboratory Equipment	27,865	5,844	33,710
29	395	Power Operated Equipment	173,324	8,343	181,667
30	396	Communications Equipment	3,225	13,966	17,191
31	397	Miscellaneous Equipment	195,708	8,796	204,504
32	398	Other Tangible Plant	238,828	-	238,828
33					
34					
35					
36		TOTAL SEWER PLANT	\$ 22,034,826	\$ 20,570,785	\$ 42,605,611

37
 38 Workpapers:
 39 FW Rate Case Data.xlsx - Trial Bal Adj
 40
 41

Recap Schedules:
 E-1
 A-4

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Operating Statistics

Exhibit: RLJ-RJ1
 Schedule E-7 - Rejoinder
 Page 1
 Witness: Jones

Line No.		Test Year Ended <u>12/31/2011</u>	Prior Year Ended <u>12/31/2010</u>	Prior Year Ended <u>12/31/2009</u>
1				
2	Total Wastewater Treated	275,467,000	269,368,000	267,231,000
3				
4	Average Number of Customers			
5				
6	Residential	7,064	6,819	6,849
7	Commercial	42	44	44
8	RV Park (Customers)	4	4	4
9	Total Customers	<u>7,110</u>	<u>6,867</u>	<u>6,897</u>
10				
11	RV Park (RV Spaces)	761	713	713
12				
13				
14	Wastewater Treated Per Customer	38,744	39,228	38,744
15				
16	Revenue Per Residential Customer	\$ 284	\$ 291	\$ 279
17				

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Taxes Charged to Operations

Exhibit: RLJ-RJ1
 Schedule E-8 - Rejoinder
 Page 1
 Witness: Jones

Line No.	Description	Test Year Ended <u>12/31/2011</u>	Prior Year Ended <u>12/31/2010</u>	Prior Year Ended <u>12/31/2009</u>
1				
2				
3	Federal Income Tax	(402,095)	-	-
4	State Income Tax	(90,796)	-	-
5	Payroll Tax	63,196	47,050	38,864
6	Property Tax	122,350	92,177	79,555
7				
8	Totals	<u>(307,345)</u>	<u>139,227</u>	<u>118,419</u>
9				
10				
11				
12				

Recap Schedules:

Line
No.

1

2 The Company financial statements are reviewed by an independent outside CPA Firm. However
3 the 2011 review is not complete as of the date of this filing. The review will be made available
4 during the processing of this case.

5

6 The Company uses the NARUC System of Accounts.

7

8 The Company normalizes Income Tax Expense.

9

10

11 Supporting Schedules:

Recap Schedules:

12

13

Line No.		Actual Test Year Ended 12/31/2011	At Present Rates Year Ended 12/31/2012	At Proposed Rates Year Ended 12/31/2012
1	Revenues			
2	413 Income Utility Plant Leased to Others	\$ 3,612	\$ -	\$ -
3	521 Flat Rate Revenue	2,061,278	2,056,292	5,541,874
4	536 Other Sewer Revenues	43,064	43,064	43,064
5	541 Metered Reuse Revenue	131,759	131,759	131,759
6	Total Revenues	\$ 2,239,713	\$ 2,231,115	\$ 5,716,697
7	Operating Expenses			
8	701 Salaries and Wages	\$ 683,996	\$ 824,730	\$ 824,730
9	703 Salaries and Wages - Officers and Directors	137,000	76,753	76,753
10	704 Employee Pension and Benefits	27,421	28,243	28,243
11	710 Purchased Sewer Treatment	-	-	-
12	711 Sludge Removal Expense	55,247	55,247	55,247
13	715 Purchased Power	288,248	347,499	347,499
14	718 Chemicals	219,910	223,209	223,209
15	720 Repairs and Maintenance	181,981	184,711	184,711
16	731 Contractual Services - Engineering	-	-	-
17	732 Contractual Services - Accounting	7,230	7,338	7,338
18	733 Contractual Services - Legal	43,865	11,053	11,053
19	734 Contractual Services - Management Fees	-	-	-
20	735 Contractual Services - Testing	147,025	149,231	149,231
21	736 Contractual Services - Other	60,716	61,627	61,627
22	741 Rent - Buildings	20,669	20,979	20,979
23	742 Rent - Equipment	45,758	46,445	46,445
24	750 Transportation Expense	129,723	131,669	131,669
25	756 Insurance - Vehicle	12,610	12,799	12,799
26	757 Insurance - General Liability	33,142	33,640	33,640
27	758 Insurance - Workman's Compensation	17,125	17,382	17,382
28	759 Insurance - Other	-	-	-
29	760 Advertising Expense	476	483	483
30	766 Regulatory Commission Expense - Rate Case	-	76,125	76,125
31	767 Regulatory Expense - Other	-	-	-
33	770 Bad Debt Expense	33,490	13,040	33,411
34	775 Miscellaneous Expense	30,503	30,960	30,960
35	403 Depreciation Expense	1,165,350	1,379,632	1,379,632
36	408 Taxes Other Than Income	74,250	71,842	71,842
37	408 Property Taxes	122,350	95,858	143,986
38	409 Income Tax	(492,891)	(1,047,580)	271,376
39	Total Operating Expenses	\$ 3,045,196	\$ 2,852,916	\$ 4,240,371
40	Operating Income	\$ (805,483)	\$ (621,801)	\$ 1,476,326
41	Other Income (Expense)			
42	409.20 Income Tax - Other Income and Deductions	\$ 449,875	\$ (176,061)	\$ (176,061)
43	415 Revenue from Jobbing, Contract Work	26,176	26,176	26,176
44	416 Expenses from Jobbing, Contract Work	(26,176)	(26,176)	(26,176)
45	419 Interest and Dividend Income	246	246	246
46	420 AFUDC	748,855	374,428	374,428
47	421 Non-Utility Income	-	-	-
48	426 Miscellaneous Non-Utility Expenses	(33,219)	(33,219)	(33,219)
49	427 Interest Expense	(1,523,207)	(1,089,506)	(1,089,506)
50	428 Amortization of Debt Discount and Expense	(49,593)	(49,593)	(49,593)
51	429 Amortization of Premium on Debt	3,285	3,285	3,285
52	434 Extraordinary Deductions	(328,956)	(0)	(0)
53	Total Other Income (Expense)	\$ (732,714)	\$ (970,421)	\$ (970,421)
54	Net Income (Loss)	\$ (1,538,197)	\$ (1,592,221)	\$ 505,906

56 Supporting Schedules:
 57 E-2
 58

Recap Schedules:
 A-2

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Projected Changes In Financial Position - Present and Proposed Rates

Exhibit: RJ-RJ1
 Schedule F-2 - Rejoinder
 Page 1
 Witness: Jones

Line No.	Test Year Ended	At Present Rates Year Ended	At Proposed Rates Year Ended
	12/31/2011	12/31/2012	12/31/2012
1	<u>Source of Funds</u>		
2	Cash Flow from Operations:		
3	Net Income	\$ (1,538,197)	\$ (1,592,221) \$ 505,906
4	Adjustments to reconcile net income to net cash		
5	Depreciation and Amortization	1,172,510	1,379,632 1,379,632
6	Deferred Income Tax	-	
7	Other Adjustments	-	
8	Changes in Assets & Liabilities		
9	Customer Accounts Receivable	(27,681)	
10	Notes/Receivables from Associated Companies	(30,446)	
11	Plant Materials and Supplies	(560)	
12	Prepayments	(3,448)	
13	Miscellaneous Current and Accrued Assets	-	
14	Special Deposits	(132,970)	
15	Deferred Debits	(893,173)	(693,173) -
16	Accounts Payable	(694,569)	
17	Notes Payable	588,085	(588,085)
18	Payable to Associated Companies	1,198,726	
19	Customer Deposits	14,271	
20	Accrued Taxes	-	
21	Accrued Interest	37,289	
22	Miscellaneous Current Liabilities	132,713	
	Deferred Credits	(56,047)	
23	Total From Operations	\$ (233,496)	\$ (905,762) \$ 1,297,452
24			
25	Cash Flow from Financing:		
26	Bonds	(290,304)	(380,000) (380,000)
27	Long-Term Debt	(300,030)	0 0
29	Advances in Aid of Construction	(54,802)	(54,802) (54,802)
30	Contributions in Aid of Construction	-	-
31	Paid in Capital	3,033,241	4,000,000 900,000
32	Total From Financing	\$ 2,388,104	\$ 3,565,198 \$ 465,198
33			
34	<u>Application of Funds</u>		
35	Cash Flow from Investing Activities		
36	Capital Expenditures	(2,102,526)	(2,044,670) (2,044,670)
37	Dividends Paid	-	-
38	Other	-	-
39	Total From Investing Activities	\$ (2,102,526)	\$ (2,044,670) \$ (2,044,670)
40			
41	Net Increase/(Decrease) in Cash	\$ 52,082	\$ 614,766 \$ (282,019)
42			
43	Cash, Beginning of Year	\$ (50,289)	\$ 1,794 \$ 1,794
44	Cash, End of Year	\$ 1,794	\$ 616,560 \$ (280,226)
45			
46			
47	<u>Supporting Schedules:</u>	<u>Recap Schedules:</u>	
48	E-3	A-5	
49	F-3		
50			

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Projected Construction Requirements

Exhibit: RLJ-RJ1
 Schedule F-3 - Rejoinder
 Page 1
 Witness: Jones

Line No.	Property Classification	Actual	Projected		
		Test Year 12/31/2011	Thru 12/31/2012	Thru 12/31/2013	Thru 12/31/2014
5	Intangible Plant	\$ 97,553	\$ -	\$ -	\$ -
7	Collection Plant	4,971,423	-	75,000	75,000
9	Treatment Plant	15,395,039	2,024,670	69,500	520,000
11	Reuse Plant	2,310	-	-	-
13	General Plant	104,459	20,000	20,000	20,000
15	Total Plant	<u>\$ 20,570,785</u>	<u>\$ 2,044,670</u>	<u>\$ 164,500</u>	<u>\$ 615,000</u>

18 Workpapers:
 19 FW Capital Expenditures.xlsx
 20

Recap Schedules:
 F-2 A-4

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Assumptions Used in Developing Projection

Exhibit: RLJ-RJ1
Schedule F-4 - Rejoinder
Page 1
Witness: Jones

Line

No.

1

2 No Customer Growth

3

4 No Change in Per Customer Consumption

5

6 Per Test Year Adjustments

7

8 Salaries and Pensions increase by 3.0%

9

10 All other expenses increased by 1.5%

11

12 Supporting Schedules:

13

14

Recap Schedules:

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Summary of Revenues by Customer Classification - Present and Proposed Rates

Exhibit: RLJ-RB4
 Schedule H-1 - Rejoinder
 Page 1
 Witness: Jones

Line No.	Customer Classification	Revenues in the Test Year		Proposed Increase	
		Present Rates	Proposed Rates	Amount	%
1					
2	<u>Flat Rate Revenue</u>				
3	Residential	\$ 1,844,030	\$ 4,867,868	\$ 3,023,837	163.98%
4	Commercial	23,186	116,488	93,303	402.42%
5	RV Park (RV Spaces)	46,545	179,956	133,411	286.63%
6	Re-Establishment (Residential)	142,180	375,485	233,306	164.09%
7					
8	Metered Reuse Revenues	131,759	131,759	-	0.00%
9					
10	Other Sewer Revenue	43,064	43,064	-	0.00%
11					
12	Total Sewer Revenues	<u>\$ 2,230,763</u>	<u>\$ 5,714,620</u>	<u>\$ 3,483,857</u>	156.17%
13					
14	<u>Reconciliation</u>				
15	Bill Count Revenue	\$ 2,230,763			
16					
17	Water Revenues per G.L.	2,239,713			
18	Revenue Adjustment IS-1	(3,612)			
19	Revenue Adjustment IS-2	(8,119)			
20	Adjusted G.L. Revenue	<u>\$ 2,227,982</u>			
21					
22	Unreconciled Difference	\$ 2,781			
23	Percentage Difference	0.12%			
24					
25					
26	<u>Supporting Schedules:</u>			<u>Recap Schedules:</u>	
27	H-2			A-1	
28					

Line No.	Description	Average Number Customers	Average Consumption	Revenues		Proposed	
				Present Rates	Proposed Rates	Increase Amount	Increase %
1							
2	<u>Flat Rate Revenue</u>						
3	Residential	7,064	-	\$ 1,844,030	\$ 4,867,868	3,023,837	163.98%
4	Commercial	42	-	23,186	116,488	93,303	402.42%
5	RV Park (RV Spaces)	761	-	46,545	179,956	133,411	286.63%
6	Re-Establishment (Residential)	545	-	142,180	375,485	233,306	164.09%
7	Subtotal Flat Rate	8,412		\$ 2,055,940	\$ 5,539,797	\$ 3,483,857	169.45%
8							
9	Metered Reuse Revenues	2	5,489,958	\$ 131,759	\$ 131,759	-	0.00%
10							
11	Other Sewer Revenue			\$ 43,064	\$ 43,064		0.00%
12							
13	Total	8,414		\$ 2,230,763	\$ 5,714,620	\$ 3,483,857	156.17%

16 Supporting Schedules:

Recap Schedules:

H-1

17
18

Line No.	Description	Monthly Charge			Volume Charge		
		Present Rate	Proposed Rate	Change	Present Rate	Proposed Rate	Change
1	General Sewer Service Rates						
5	Residential	\$ 21.75	\$ 57.44	\$ 35.69			
6	Commercial:						
7	5/8" x 3/4" Meter	\$ 43.50	\$ 86.16	\$ 42.66			
8	3/4" Meter	\$ 43.50	\$ 86.16	\$ 42.66			
9	1" Meter	\$ 43.50	\$ 143.60	\$ 100.10			
10	1 1/2" Meter	\$ 43.50	\$ 215.40	\$ 171.90			
11	2" Meter	\$ 43.50	\$ 344.64	\$ 301.14			
12	3" Meter	\$ 43.50	\$ 919.04	\$ 875.54			
13	4" Meter	\$ 43.50	\$ 1,436.00	\$ 1,392.50			
14	6" Meter	\$ 43.50	\$ 2,872.00	\$ 2,828.50			
15	RV Park:						
16	RV Park Base Charge	n/a	\$ 86.16	\$ 86.16			
17	RV Park - Per Space	\$ 5.44	\$ 19.14	\$ 13.70			
18	Effluent Reuse	\$ -	\$ -	\$ -	\$ 1.00	Market ¹	\$ -

¹Market rate not to exceed \$1.00 per 1,000 gallons and not less than \$0.20 per 1,000 gallons.

	Present Rates	Proposed Rates
22	Other Service Charges	
24	Establishment	\$ 20.00
25	Reconnection (Delinquent)	\$ 20.00
26	After-Hours Service Charge	n/a
27	Deposit Requirement (Residential)	2 times the average bill
28	Deposit Requirement (None Residential Meter)	2-1/2 times the average bill
29	Deposit Interest	6.0%
30	Re-Establishment (Within 12 Months)	Number of Months off system times the monthly minimum bill
31	NSF Check	\$ 15.00
32	Deferred Payment, Per Month	1.5%
33	Late Payment Charge	1.5%
34	Service Line Installation	Cost
35	Disconnect and Reconnect (Delinquent) ¹	n/a

¹ Applicable to sewer customers that are not Far West Water customers.

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax, per Commission rule A.A.C. 14-2-608(D)(5).

All items billed at cost shall include labor, materials and parts, overheads and all applicable taxes.

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Typical Bill Analysis

Exhibit: RLJ-RB4
 Schedule H-4 - Rejoinder
 Witness: Jones

Meter Size: All
 Class: Residential
 Rate Code: 351

Line No.	Rate Schedules	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	Present Rates:					
2	Monthly Charge:		\$ 21.75			
3		All	\$ 21.75	\$ 57.44	\$ 35.69	164.09%
4	Proposed Rates:					
5	Monthly Charge:		\$ 57.44			
6						

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Typical Bill Analysis

Exhibit: RLJ-RB4
 Schedule H-4 - Rejoinder
 Witness: Jones

Meter Size: All
 Class: Commercial
 Rate Code: 350

Line No.	Rate Schedules	Monthly Charge	Meter Size	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	<u>Present Rates:</u>						
	All Meter Sizes	\$ 43.50					
2	<u>Proposed Rates:</u>						
3	5/8" x 3/4" Meter	\$ 86.16	5/8" x 3/4" Meter	\$ 43.50	\$ 86.16	\$ 42.66	98.07%
4	3/4" Meter	\$ 86.16	3/4" Meter	\$ 43.50	\$ 86.16	\$ 42.66	98.07%
5	1" Meter	\$ 143.60	1" Meter	\$ 43.50	\$ 143.60	\$ 100.10	230.11%
6	1 1/2" Meter	\$ 215.40	1 1/2" Meter	\$ 43.50	\$ 215.40	\$ 171.90	395.17%
7	2" Meter	\$ 344.64	2" Meter	\$ 43.50	\$ 344.64	\$ 301.14	692.28%
8	3" Meter	\$ 875.54	3" Meter	\$ 43.50	\$ 919.04	\$ 875.54	2012.74%
9	4" Meter	\$ 1,436.00	4" Meter	\$ 43.50	\$ 1,436.00	\$ 1,392.50	3201.15%
10	6" Meter	\$ 2,872.00	6" Meter	\$ 43.50	\$ 2,872.00	\$ 2,828.50	6502.30%
11							

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Typical Bill Analysis

Exhibit: RLJ-RB4
 Schedule H-4 - Rejoinder
 Witness: Jones

Meter Size: All
 Class: RV Park
 Rate Code: 380

Line No.	Rate Schedules		Park	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	Present Rates:						
2	Monthly Charge:						
3	Per Space:	\$ 5.44					
4			Rancho Rialto	\$ 1,071.68	\$ 3,856.74	\$ 2,785.06	259.88%
5			Adobe Village	\$ 641.92	\$ 2,344.68	\$ 1,702.76	265.26%
6			Sun Ridge	\$ 1,528.64	\$ 5,464.50	\$ 3,935.86	257.47%
7	Proposed Rates:						
8	Monthly Charge:	\$ 86.16	Schechert Aquatics	\$ 261.12	\$ 1,004.88	\$ 743.76	284.83%
9	Per Space:	\$ 19.14					
10							
11							
12							
13							

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Typical Bill Analysis

Exhibit: RLJ-RB4
 Schedule H-4 - Rejoinder
 Witness: Jones

Meter Size: All
 Class: Residential Re-Establishment
 Rate Code: 381-392

Line No.	Rate Schedules		<u>Usage</u>	Present <u>Bill</u>	Proposed <u>Bill</u>	Dollar <u>Increase</u>	Percent <u>Increase</u>
1	Present Rates:						
2	Monthly Charge:	\$ 21.75					
3			All	\$ 21.75	\$ 57.44	\$ 35.69	164.09%
4	Proposed Rates:						
5	Monthly Charge:	\$ 57.44					
6							

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Bill Count

Exhibit: RLI-RB4
 Schedule H-5 - Rejoinder
 Witness: Jones

Meter Size: All
 Class: Residential
 Rate Code: 351

Charges	Present Rates	Proposed Rates
Monthly Charge:	\$ 21.75	\$ 57.44

Line No.	Block	Number of Bills in Block	Average Consumption in Block	Consumption in Block	Cumulative Bills		Cumulative Consumption		
					No.	% of Total	Amount	% of Total	
1	-	-	-	84,783	-	84,783	100.00%	-	
2									
3	Totals	84,783		-	84,783			-	
4	Remove RV Bills	(36)							
5	Equivalent Bills	84,747							
6									
7	Average Number of Customers		7,062		Base Charge	84,783	\$ 1,844,030	84,747	\$ 4,867,868
8									
9					Revenue Totals		\$ 1,844,030		\$ 4,867,868
10									

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Bill Count

Exhibit: RLJ-RB4
 Schedule H-5 - Rejoinder
 Witness: Jones

Meter Size: All
 Class: Commercial
 Rate Code: 350

Charges	Present Rates	Proposed Rates
Monthly Charge:		
5/8" x 3/4" Meter	\$ 43.50	\$ 86.16
3/4" Meter	\$ 43.50	\$ 86.16
1" Meter	\$ 43.50	\$ 143.60
1 1/2" Meter	\$ 43.50	\$ 215.40
2" Meter	\$ 43.50	\$ 344.64
6" Meter	\$ 43.50	\$ 2,872.00

Line No.	Meter Size	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
					No.	% of Total	Amount	% of Total
As Billed:								
1	5/8" x 3/4" Meter	144	-	-	144	28.57%	-	-
2	3/4" Meter	-	-	-	144	28.57%	-	-
3	1" Meter	84	-	-	228	45.24%	-	-
4	1 1/2" Meter	29	-	-	257	50.99%	-	-
5	2" Meter	264	-	-	521	103.37%	-	-
6	6" Meter	12	-	-	533	105.75%	-	-
7		533	-	-				
Adjustments:								
9	6" - Rancho Rialto	(12)	-	-				
10	1 1/2" - Chase Bank	(5)	-	-				
11	2" - Schechert Aquat.	(12)	-	-				
12								
Adjusted:								
14	5/8" x 3/4" Meter	144	-	-	144	28.57%	-	-
15	3/4" Meter	-	-	-	144	28.57%	-	-
16	1" Meter	84	-	-	228	45.24%	-	-
17	1 1/2" Meter	24	-	-	252	50.00%	-	-
18	2" Meter	252	-	-	504	100.00%	-	-
19	6" Meter	-	-	-	504	100.00%	-	-
20		504	-	-				
21								
22								
23	Totals	504		-	504			
24								
25	Equivalent Bills	504						

	Average Number of Customers	Units	Current Rates		Proposed Rates	
			Revenue	Revenue		
27	42	5/8" x 3/4" Meter	144	\$ 6,264	144	\$ 12,407
28		3/4" Meter	-	-	-	-
29		1" Meter	84	3,654	84	12,062
30		1 1/2" Meter	29	1,262	24	5,170
31		2" Meter	264	11,484	252	86,849
32		6" Meter	12	522	-	-
33		Revenue Totals		\$ 23,186		\$ 116,488
34						

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Bill Count

Exhibit: RLJ-RB4
 Schedule H-5 - Rejoinder
 Witness: Jones

Meter Size: All
 Class: RV Park
 Rate Code: 380

Charges	Present Rates	Proposed Rates
Monthly Charge:	n/a	\$ 86.16
Per Space:	\$ 5.44	\$ 19.14

Line No.	Customer	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
					No.	% of Total	Amount	% of Total
1	As Billed:		-					
2	Rancho Rialto	2,364	-		2,364	25.89%		
3	Adobe Village	1,416	-		3,780	41.39%		
4	Sun Ridge	3,372	-		7,152	78.32%		
5	Sunset Palm	1,404	-		8,556	93.69%		
6		8,556						
7	Adjustments:							
8	Schechert Aquatics	576	-		9,132	100.00%		
9								
10	Totals	9,132		-	9,132			

Equivalent Bills		Current Rates		Proposed Rates	
		Units	Revenue	Units	Revenue
11					
12	Equivalent Bills				
13					
14	Average Number of Spaces	761		60	5,170
15			Monthly Charge		
16			Per Space	8,556	\$ 46,545
17			Revenue Totals	\$ 46,545	\$ 179,956

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Bill Count

Exhibit: RLJ-RB4
 Schedule H-5 - Rejoinder
 Witness: Jones

Meter Size: All
 Class: Residential Re-Establishment
 Rate Code: 381-392

	<u>Charges</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Monthly Charge:	\$	21.75	\$ 57.44

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	<u>Cumulative Bills</u>		<u>Cumulative Consumption</u>		
					No.	% of Total	Amount	% of Total	
1	-	6,537	-		6,537	100.00%	-		
2									
3	Totals	6,537		-	6,537		-		
4									
5	Equivalent Bills	6,537							
6									
7	Average Number of Customers		545		Base Charge	6,537	\$ 142,180	6,537	\$ 375,485
8									
9					Revenue Totals		\$ 142,180		\$ 375,485
10									

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Bill Count

Exhibit: RLJ-RB4
 Schedule H-5 - Rejoinder
 Witness: Jones

Meter Size: All
 Class: Effluent Reuse
 Rate Code: 379

	Charges	Present Rates	Proposed Rates
Monthly Charge:	\$ -	\$ -	\$ -

Commodity Rate \$ 1.00 Market

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
1	-	-	-	-	-	0.00%	-	0.00%
2	1,765,000	-	1,765,000	1,765,000	1	4.17%	1,765,000	1.34%
3	1,773,000	-	1,773,000	1,773,000	2	8.33%	3,538,000	2.69%
4	1,849,000	-	1,849,000	1,849,000	3	12.50%	5,387,000	4.09%
5	2,189,000	-	2,189,000	2,189,000	4	16.67%	7,576,000	5.75%
6	2,646,000	-	2,646,000	2,646,000	5	20.83%	10,222,000	7.76%
7	2,845,000	-	2,845,000	2,845,000	6	25.00%	13,067,000	9.92%
8	3,756,000	-	3,756,000	3,756,000	7	29.17%	16,823,000	12.77%
9	3,863,000	-	3,863,000	3,863,000	8	33.33%	20,686,000	15.70%
10	3,916,000	-	3,916,000	3,916,000	9	37.50%	24,602,000	18.67%
11	3,972,000	-	3,972,000	3,972,000	10	41.67%	28,574,000	21.69%
12	4,061,000	-	4,061,000	4,061,000	11	45.83%	32,635,000	24.77%
13	4,260,000	-	4,260,000	4,260,000	12	50.00%	36,895,000	28.00%
14	4,455,000	-	4,455,000	4,455,000	13	54.17%	41,350,000	31.38%
15	4,608,000	-	4,608,000	4,608,000	14	58.33%	45,958,000	34.88%
16	4,862,000	-	4,862,000	4,862,000	15	62.50%	50,820,000	38.57%
17	5,592,000	-	5,592,000	5,592,000	16	66.67%	56,412,000	42.81%
18	6,515,000	-	6,515,000	6,515,000	17	70.83%	62,927,000	47.76%
19	8,555,000	-	8,555,000	8,555,000	18	75.00%	71,482,000	54.25%
20	8,595,000	-	8,595,000	8,595,000	19	79.17%	80,077,000	60.78%
21	8,937,000	-	8,937,000	8,937,000	20	83.33%	89,014,000	67.56%
22	9,172,000	-	9,172,000	9,172,000	21	87.50%	98,186,000	74.52%
23	10,207,000	-	10,207,000	10,207,000	22	91.67%	108,393,000	82.27%
24	11,634,000	-	11,634,000	11,634,000	23	95.83%	120,027,000	91.10%
25	11,732,000	-	11,732,000	11,732,000	24	100.00%	131,759,000	100.00%
26								
27	Totals	24		<u>131,759,000</u>	<u>24</u>		<u>131,759,000</u>	
28								
29	Equivalent Bills	<u>24</u>						

		Current Rates		Proposed Rates	
		Units	Revenue	Units	Revenue
31	Average Number of Customers	24	\$ -	24	\$ -
32	Commodity Charge	131,759.00	131,759	131,759	131,759
33	Average Consumption (gallons)		<u>5,489,958</u>		<u>5,489,958</u>
34					
35	Median Consumption (gallons)		<u>4,260,000</u>		<u>4,260,000</u>
36					

Far West Water & Sewer Company, Inc.

Ray Jones Rejoinder Testimony

Exhibit RLJ-RJ2



FAR WEST WATER & SEWER, INC.

April 16, 2013

Angela Pancrazi Moreno
Yuma County Treasurer
410 Maiden Lane, Suite C
Yuma, Arizona 85364

Re: Far West Water and Sewer, Inc.
Centrally Valued Account 55-503
Account Number U000005

Dear Ms. Moreno,

First of all, I want to thank you and Mr. Kerekes for meeting with me to discuss the property taxes owed by Far West Water and Sewer, Inc. (Far West). By this letter, it is my intention to put into writing the proposal that I made to you at that meeting.

Far West acknowledges that it owes property taxes on account number U000005 from those taxes due November 1, 2008 to the present. Far West intends to pay those delinquent taxes, including accrued interest and any penalties, as well as the property taxes coming due, in the following manner:

Far West agrees to pay the current taxes coming due for 2013, one half on November 1, 2013, and the remaining half on or before May 1, 2014. Thereafter, Far West shall pay the current year property taxes as those taxes become due.

For the delinquent taxes owed, Far West shall pay the oldest year of taxes first, with the payment for the oldest year's taxes, including interest and penalties, being paid twelve months after the Arizona Corporation Commission concludes the rate case filed by Far West, Docket No. WS-03478A-12-0307, and a decision has been made and entered by the Commission. To facilitate that payment, Far West shall create a special account for the deposit of funds to pay those taxes. A deposit shall be made monthly, which shall equal to five percent (5%) of the increase granted by the Commission, divided by twelve (12), commencing thirty days after those rates go into effect, and continuing that deposit each and every month until the payment of delinquent taxes has been made.

Thereafter, Far West shall continue to make such deposits into the tax account each month for the payment of the next oldest tax year due. The next payment shall be made from that account twenty four months after the approved rates from the

aforementioned case go into effect. In the event the deposits into that account are insufficient to pay that prior year's taxes in full, Far West will pay any shortage that may occur.

Far West will continue to pay the delinquent taxes on each subsequent anniversary of the new rates going into effect until all delinquent taxes owed on this account have been paid in full.

If the proposal set forth above meets with your approval, please sign a copy of this letter and return it to the undersigned. If you require a formal agreement in addition to this letter, please advise and I will prepare that agreement.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew J. Capestro". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Andrew J. Capestro

CC: William J. Kerekes
Chief Civil Deputy County Attorney

The proposal of Far West Water and Sewer, Inc. set forth herein is accepted by the Yuma County Treasurer.

Angela Pancrazi Moreno, Treasurer

Far West Water & Sewer Company, Inc.

Ray Jones Rejoinder Testimony

Exhibit RLJ-RJ3

**LAW OFFICES OF
BYRNE, BENESCH & VILLARREAL, P.C.**
P.O. Box 6446
Yuma, Arizona 85366-6446
(928) 782-1805
Fax: (928) 782-1808

Far West Water & Sewer, Inc.
P.O. Box 791
Rancho Santa Fe CA 92067
Attn: Paula Capestro

Apr 30,2006

Those who have paid a law firm more than \$600.00 in a tax year are requested to file a 1099 with Internal Revenue Service. Our tax payer identification number is: 86-0940251

RE:

Client No. 06-067

Invoice No. 11090

Miscellaneous General Matters.

Professional Services Rendered from March 26, 2006 through April 25, 2006

ATTORNEYS' FEES:

Date	Lawyer/Paralegal	Work Performed	Time	Fee
Mar-28-06	WCB	Telephone conference with Paula Capestro(.20)/Telephone conference with Mark Watson(.20)/Telephone call to Paula Capestro-leave message(N/C)	0.40	\$110.00
Mar-29-06	WCB	Telephone conference with Paula Capestro(.30)/Telephone conference with Mark Watson confirming meeting and attendees(.15)	0.45	\$123.75
Apr-05-06	WCB	Prepare for and attend meeting with City Administrator, Assistant City Administrator, City Attorney and Sewer Dept director, Paula and Andy Capestro, Sandy Braden, Dusty Thomas and Mark Kavane-discuss development in Foothills, annexation, water and sewer needs and systems of City and Far West, mutual aid, temporary assistance from City and long term prospects for buy-out(2.50)/Telephone conference with Mark Watson re meeting(.20)	2.70	\$742.50
Apr-06-06	WCB	Review notes and make memo to file(.10)	0.10	\$27.50
Apr-08-06	WCB	Telephone conference with Paula and Andy Capestro; Discussed meeting with City; Discussed their expert's visit on sewer plants, and expansion of plants (.50)	0.50	\$137.50
Apr-13-06	WCB	Telephone conference with Andy Capestro	0.10	\$27.50